

# MORNING NEWS CALL

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U.S. Edition

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## Earnings Roundup

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### TOP NEWS

- **JPMorgan profit beats estimates on M&A boom, loan growth**

JPMorgan reported a rise in third-quarter earnings that beat estimates, as the bank's Wall Street arm capitalized on a global dealmaking boom, while its consumer bank benefited from higher interest income on loans.

- **BlackRock quarterly profit beats estimates as rise in assets boosts fee income**

BlackRock Inc, the world's largest money manager beat third-quarter profit estimates as an improving economy helped boost its assets under management, driving up fee income.

- **'Patient' or 'aggressive'? Fed policymakers split on inflation response**

U.S. central bankers broadly agree they can soon begin reducing their support for the economy, but are divided over how much of a threat high inflation poses, and - more importantly - what they might need to do about it.

- **Data suggests mRNA booster dose generates stronger antibody response after J&J shot - Axios**

People who received Johnson & Johnson's COVID-19 vaccine will have a stronger neutralizing antibody response if they get an mRNA shot as the second dose, Axios reported, citing a person who has seen data collected by the U.S. National Institutes of Health (NIH).

- **Apple likely to cut iPhone 13 production due to chip crunch -Bloomberg News**

Apple Inc is likely to slash production of its iPhone 13 by as many as 10 million units due to the global chip shortage, Bloomberg News reported, citing people familiar with the matter.

### BEFORE THE BELL

**Futures** of **Wall Street's major indexes** were higher ahead of U.S. consumer price data. Upbeat earnings forecast from German software group SAP and robust quarterly sales for French luxury goods maker LVMH helped most **European stocks** recoup early losses. **China stocks** ended higher as better-than-expected domestic trade data eased slowdown fears fanned by a power crunch and Evergrande's debt crisis. **Oil** prices dipped on demand concerns. **Gold** prices rose, boosted by worries over economic growth and a slight retreat in the **dollar**. Minutes of the U.S. Federal Reserve's September policy meeting are also due later in the day.

### STOCKS TO WATCH

#### Results

- **BlackRock Inc:** The world's largest money manager beat third-quarter profit estimates as an improving economy helped boost its assets under management, driving up fee income. BlackRock ended the past quarter with \$9.46 trillion in assets under management, up from \$7.81 trillion from a year earlier. Adjusted net income rose to \$1.69 billion, or \$10.95 per share, in the quarter ended Sept. 30, from \$1.42 billion, or \$9.22 per share, a year earlier.

Analysts on average were expecting the company to report a profit of \$9.35 per share.

- **JPMorgan Chase & Co:** JPMorgan reported a rise in third-quarter earnings that beat estimates, as the bank's Wall Street arm capitalized on a global dealmaking boom, while its consumer bank benefited from higher interest income on loans. JPMorgan's net income rose to \$11.7 billion, or \$3.74 per share, in the quarter ended Sept. 30, compared with \$9.4 billion, or \$2.92 per share, a year earlier. Analysts on average had expected earnings of \$3.00 per share. JPMorgan's results were also helped partly after it took down further reserves that it had set aside at the height of the pandemic to cover loans that could potentially sour. Total reported revenue rose 1% to \$29.65 billion in the quarter. However, trading revenues have taken a hit this year, after benefiting from the volatility in financial markets during the peak of the pandemic last year.
- **Just Eat Takeaway.com NV:** Weaker than expected third-quarter orders at Just Eat Takeaway.com knocked shares in the online food delivery company, with orders in the United States growing just 3%. Total orders in the quarter rose 25% to 266 million, below the 35% increase expected by analysts at ING bank. Growth in Britain, the company's largest market, was 51%, but weakest in the United States, now its second-biggest market. Group CEO Jitse Groen said he would address the U.S. situation more fully at a capital markets day Oct. 21. But he said that the company is currently seeing a return to pre-pandemic behaviour in its biggest markets, citing traffic data and workers returning to offices.
- **SAP SE:** The German business software group raised its full-year outlook for a third time on the back of a strong showing in the third quarter as more customers shift their IT operations to the cloud. SAP now expects cloud revenue to grow by 16%-19% in the year as a whole, helping its overall cloud and software revenue to gain by 2%-4%, it said in a statement late on Tuesday. Operating profit is expected to be flat to down 2% for the year, an improvement from its earlier forecast of unchanged to down 4%. Adjusted revenue rose 5% to 6.68 billion euros for the third quarter ended Sept. 30, the company reported in a preliminary earnings statement. SAP is expected to release full results on Oct. 21. Adjusted earnings per share rose 2% to 1.74 euros, backed again by its profitable venture capital investments, Sapphire Ventures.

### *In Other News*

- **American Airlines Group Inc & Southwest Airlines Co:** Rebuffing the Texas governor, American Airlines and Southwest Airlines said they would comply with U.S. President Joe Biden's executive order to require that their employees be vaccinated for COVID-19 by a Dec. 8 deadline. The two Texas-based carriers said the federal mandate superseded an order by Republican Governor Greg Abbott barring COVID-19 vaccine mandates by any entity, including private employers. Southwest said it "would be expected to comply with the President's Order to remain compliant as a federal contractor." American said while it was reviewing Abbott's executive order, "this does not change anything" for the company. Both carriers have asked U.S.-based employees to submit proof of vaccination by Nov. 24.
- **Amazon.com Inc:** Thousands of Britons delivering items for Amazon should receive entitlements such as the minimum wage, according to a law firm which is launching an employee rights claim against the U.S. giant. At least 3,000 people making deliveries via 'Delivery Service Partners' are currently self-employed but should be reclassified as employees with rights such as sick pay, according to law firm Leigh Day. Total compensation could reach 140 million pounds, it said. "Drivers delivering for Amazon have to work set shifts and book time off, yet Amazon claim they are self-employed," said Kate Robinson, a solicitor in the employment team. In a statement, Amazon said: "We are committed to ensuring these drivers are fairly compensated by the delivery companies they work with and are treated with respect, and this is reflected by the positive feedback we hear from drivers every day."
- **Apple Inc:** The company is likely to slash production of its iPhone 13 by as many as 10 million units due to the global chip shortage, Bloomberg News reported, citing people familiar with the matter. The company was expected to produce 90 million units of the new iPhone models by the end of this year, according to Bloomberg. The report said Apple told its manufacturers that the number of units would be lower because chip suppliers including Broadcom Inc and Texas Instruments are struggling to deliver components. Apple declined to comment. Broadcom and Texas Instruments did not immediately respond to Reuters requests for comment. Jeff Fieldhack, research director for Counterpoint Research, said the reported Apple production cut could also be part of the iPhone maker's normal launch process of over-ordering devices to be prepared for an initial customer rush and then trimming orders as sales trends become clearer.
- **Barrick Gold Corp:** Canada's Barrick Gold has discovered geological extensions at its Kibali gold mining joint venture in Democratic Republic of Congo that will prolong the life of the mine to 2040, Chief Executive Mark Bristow said in an interview. The mine in the country's northeast is on track to produce gold at the top end of

forecasts for the year, and geologists have found mineral reserves exceeding those depleted annually, Bristow said. "We are starting to see geological extensions that will take us (another) 15 years, that takes us to 2040."

- **Boeing Co:** The company said it will require its 125,000 U.S. employees to be vaccinated by Dec. 8 under an executive order issued by President Joe Biden for federal contractors. "Boeing is requiring its U.S.-based employees to either show proof of vaccination or have an approved reasonable accommodation (based on a disability or sincerely held religious belief) by Dec. 8," the largest U.S. planemaker said. The Society of Professional Engineering Employees in Aerospace (SPEEA) union said it was "talking with employers to ensure implementation gives proper consideration to members concerns, health issues and abides by the provisions of our negotiated contracts." Just over 5,000 Boeing employees are in Texas, where Republican Governor Greg Abbott issued an executive order on Monday barring COVID-19 vaccine mandates by any entity, including private employers. Separately, Norway's Flyr airline has said it would lease six Boeing 737 MAX aircraft from Air Lease Corp, with deliveries of the jets during the first half of 2022.
- **British American Tobacco Plc:** The U.S. Food and Drug Administration authorized e-cigarette products for the first time ever, allowing their sale by a unit of British American Tobacco Plc in the United States. It cleared the company's Vuse Solo e-cigarette and the accompanying cartridges to be used for refills. However, the agency denied marketing authorization for certain flavored products submitted under unit R.J. Reynolds Vapor Co's Vuse Solo brand for failing to demonstrate they would appropriately protect public health. "The manufacturer's data demonstrates its tobacco-flavored products could benefit addicted adult smokers who switch to these products – either completely or with a significant reduction in cigarette consumption – by reducing their exposure to harmful chemicals," Mitch Zeller, director of the FDA's Center for Tobacco Products, said in a statement.
- **Facebook Inc:** Senate Commerce Committee Chair Maria Cantwell called on Facebook Chief Executive Mark Zuckerberg to preserve all documents related to a testimony last week from company whistleblower Frances Haugen. "The testimony ... raises significant concerns about whether Facebook has misled the public, federal regulators, and this committee," said Cantwell, a Democrat. "This committee will continue its oversight and work to pursue legislation to protect consumers' privacy, improve data security, and strengthen federal enforcement to address the digital harms that are the subject of these hearings." She asked Facebook to preserve and retain internal Facebook research referenced by Haugen and Facebook's evaluation of the research; ranking or composition systems; experiments or recommendations to change those ranking systems and the impact of Facebook's platforms on children and teenagers under the age of 18.
- **Hasbro Inc:** The toymaker said longtime Chairman and Chief Executive Officer Brian Goldner has died, two days after he went on medical leave. In a statement last year, Goldner said he had been under continued medical treatment following his cancer diagnosis in 2014. Board member and former CEO of marketing firm InnerWorkings Inc, Rich Stoddart, has replaced Goldner on an interim basis. "He expanded the company beyond toys and games into television, movies, digital gaming and beyond," Hasbro said. Goldner also served on the board of directors of ViacomCBS Inc. "(Goldner's) guidance and leadership played a key role not only in the combination of Viacom and CBS but in the execution of the vision that has significantly shaped the company," Shari Redstone, non-executive chair of ViacomCBS said.
- **Invesco Ltd:** The company said it facilitated talks between India's Reliance Industries and Zee Entertainment earlier this year on a possible tie-up, revealing for the first time that India's richest man, Mukesh Ambani, was interested in the television giant. But the U.S. investment firm rejected allegations from Zee that it was resorting to double standards by objecting to a potential merger with Sony Group's India unit with terms similar to those discussed with Reliance. But Zee's statement on Tuesday said it had rejected the Reliance deal offer over valuation concerns and that "it would result in a loss to the stakeholders of the company." Invesco has alleged that financial irregularities that have plagued Zee and have been flagged by India's market regulator, were linked to Goenka's family.
- **Johnson & Johnson:** People who received Johnson & Johnson's COVID-19 vaccine will have a stronger neutralizing antibody response if they get an mRNA shot as the second dose, Axios reported, citing a person who has seen data collected by the U.S. National Institutes of Health (NIH). J&J has asked the U.S. Food and Drug Administration (FDA) to approve a shot of its own single-dose vaccine as the booster dose. The FDA's advisers are set to consider the need on Friday. The NIH will present the mix-and-match data to the FDA panel on Friday, Axios said. There were limitations to the NIH data, according to the report. Neutralizing antibodies only prevent the virus from entering cells and replicating, and the report said it was unclear how long the response will last. The NIH, FDA and J&J did not immediately respond to Reuters' requests for comment.
- **Natwest Group Plc:** The British lender said it planned to increase lending linked to sustainable and climate-related finance to 100 billion pounds by 2025. The move comes ahead of global climate talks in Glasgow in

November where countries will be pushed to accelerate efforts to fight climate change and transition to a lower-carbon economy. Natwest said in a statement the money would be used across its business and include offering "green" mortgages with lower interest rates to customers buying homes with a better energy efficiency rating. "This marks an acceleration in NatWest's ambition to support UK decarbonisation and the Government's Net Zero Strategy," the company said, referring to the country's aim to reduce greenhouse gas emissions by mid-century.

- **Tesla Inc:** Prony Resources said Tesla had agreed to purchase around 42,000 tonnes of nickel in a multi-year deal - a pact that is set to make the New Caledonian miner a key supplier of the metal to the U.S. electric car maker. Prony, which bought the loss-making nickel operations in the French territory from Brazil's Vale SA this year, added it aims to produce 44,000 tonnes of nickel by 2024, double its expected 2021 output. The agreement with Tesla will make the carmaker by far Prony's largest customer, Antonin Beurrier, the miner's chief executive, said during a news conference. The 42,000-tonne volume was indicative and could vary, he said, declining to specify the duration or other details of the deal. The supply agreement with Tesla was negotiated by Swiss commodity trader Trafigura, a shareholder in Prony Resources, and signed last month, he added.

- **Twitter Inc:** The company said it did not find any signs that U.S. Representative Maxine Waters' Twitter account had been hacked, after an earlier tweet sent from the California Democrat's verified profile claimed the account had been erased. "I have been hacked and my Twitter account has been erased," the tweet said just before noon Eastern time. "I know who has done this. I will take care of this. M Waters." Some Twitter users poked fun at the strange situation, pointing out the tweet came from her verified account, which still existed on the site. A Twitter spokesperson declined to comment on Waters' tweet but said "as is standard, we have open lines of communication with her office and have worked with them to ensure the account is secure. At this time, we've identified no signs of account compromise."

- **WPP Plc:** The advertising group said its public relations unit Finsbury Glover Hering would merge with peer SVC to form a new company worth about \$917 million, and Roland Rudd would remain a co-chairman of the combined entity. The new company seeks to be a leader in strategic communications and will have expertise in areas such mergers and acquisitions, initial public offerings, special purpose acquisition company transactions, shareholder activism, ESG and cybersecurity, WPP said. "The demand for Board-level strategic advice on a growing range of financial, reputational and social issues has never been greater," WPP Chief Executive Officer Mark Read said in a statement. The new company will have three co-chairmen. SVC's George Sard will join Rudd and Carter Eskew, who were co-chairmen of Finsbury Glover Hering.

## SPECIAL REPORT

### **Amazon copied products and rigged search results to promote its own brands, documents show**

A trove of internal Amazon documents reveals how the e-commerce giant ran a systematic campaign of creating knockoff goods and manipulating search results to boost its own product lines in India - practices it has denied engaging in. And at least two top Amazon executives reviewed the strategy.

## ANALYSTS' RECOMMENDATION

- **Graphic Packaging Holding Co:** Baird raises rating to outperform, stating the company is particularly well positioned to outperform based on four key factors including, directional volume improvement, positive pricing dynamics, acquisition synergies, and an improving capital allocation paradigm.

- **International Paper Co:** Stephens cuts target price to \$68 from \$80, after the company announced the completion of Sylvamo spin-off.

- **Jasper Therapeutics Inc:** Oppenheimer initiates coverage with outperform rating, seeing the company as an emerging leader in the development of novel targeted conditioning agents for hematopoietic stem cell transplantation.

- **Premier Inc:** Baird raises target price to \$42 from \$38, citing the company's member utilization returning to pre-pandemic levels, net business wins, and strong revenue growth in nascent Performance Services initiatives.

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

0830 (approx.) **Core CPI mm SA** for Sept: Expected 0.2%; Prior 0.1%

0830 (approx.) **Core CPI yy NSA** for Sept: Expected 4%; Prior 4%

0830 (approx.) **Core CPI Index SA** for Sept: Prior 279.34

0830 (approx.) **CPI mm SA** for Sept: Expected 0.3%; Prior 0.3%

0830 (approx.) **CPI mm NSA** for Sept: Prior 0.21%  
0830 (approx.) **CPI yy NSA** for Sept: Expected 5.3%; Prior 5.3%  
0830 (approx.) **CPI Index SA** for Sept: Prior 273.01  
0830 (approx.) **CPI Index NSA** for Sept: Expected 274.144; Prior 273.567  
0830 (approx.) **Real weekly earnings mm** for Sept: Prior 0.3%  
0830 (approx.) **CPI Wage Earner** for Sept: Prior 268.387  
1100 (approx.) **Cleveland Fed CPI** for Sept: Prior 0.3%  
1100 **Refinitiv IPSOS PCSI** for Oct: Prior 59.44

### COMPANIES REPORTING RESULTS

**Delta Air Lines Inc:** Expected Q3 earnings of 17 cents per share

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

0830 **BlackRock Inc:** Q3 earnings conference call  
0830 **JPMorgan Chase & Co:** Q3 earnings conference call  
0930 **Pinnacle Financial Partners Inc:** Q3 earnings conference call  
1000 **Delta Air Lines Inc:** Q3 earnings conference call  
1000 **First Republic Bank:** Q3 earnings conference call  
1000 **NextGen Healthcare Inc:** Annual Shareholders Meeting  
1300 **Kodiak Sciences Inc:** Shareholders Meeting  
1700 **E2open Parent Holdings Inc:** Q2 earnings conference call

### EXDIVIDENDS

**BankUnited Inc:** Amount \$0.23  
**Coterra Energy Inc:** Amount \$0.50  
**HB Fuller Co:** Amount \$0.16  
**Kadant Inc:** Amount \$0.25  
**Lennar Corp:** Amount \$0.25

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



## PICTURE OF THE DAY



*Pilgrims light up candles and pray at the Basilica of Our Lady of Aparecida, as they pay homage to Brazil's patron saint, in the city of Aparecida, Sao Paulo state, Brazil, October 12. REUTERS/Carla Carniel*

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(Compiled by Archak Sengupta and Sourav Bose in Bengaluru)

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