

MORNING NEWS CALL

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Earnings Roundup

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TOP NEWS

- **Bank of America profit beats on reserve release boost**

Bank of America beat estimates for third-quarter profit boosted by the release of reserves that were set aside last year and growth in its consumer banking division.

- **Wells Fargo profit rises on reserve release boost**

Wells Fargo reported a rise in third-quarter profit as the bank released funds set aside to cover soured loans brought on by the COVID-19 pandemic.

- **UnitedHealth raises 2021 profit forecast on Optum strength**

UnitedHealth raised its full-year adjusted profit forecast after beating analysts' estimates for third-quarter earnings, helped by a jump in revenue from its Optum unit that manages drug benefits.

- **Big Tech to face another bipartisan antitrust bill**

A bipartisan group of lawmakers, headed by Senators Amy Klobuchar, a Democrat, and Republican Chuck Grassley, plan to introduce a bill that would bar Big Tech platforms, like Amazon and Alphabet's Google, from favoring their products and services.

- **TSMC announces chip plant in Japan, flags 'tight' capacity throughout 2022**

TSMC announced plans to build a new factory in Japan to meet long-term appetite for chips and said, near-term, tight supplies will likely continue into 2022 amid booming demand during the COVID-19 pandemic.

BEFORE THE BELL

U.S. stock index futures advanced as surging oil prices lifted energy shares, with investors keeping a close eye on earnings updates and a fresh reading on inflation and jobless claims data. **European stocks** rose on expectations of a strong earnings season. **China stocks** ended lower on record-high factory gate inflation data. **Gold** prices were higher, drawing support from a weak dollar.

STOCKS TO WATCH

Results

- **Bank of America Corp:** The second-largest U.S. bank by assets beat estimates for third-quarter profit boosted by the release of reserves that were set aside last year and growth in its consumer banking division. Net income applicable to common shareholders rose to \$7.26 billion, or 85 cents per share, for the quarter ended Sept. 30 from \$4.44 billion, or 51 cents per share, a year earlier. Analysts on average had expected a profit of 71 cents per

share. Bank of America's revenue jumped 12% to \$22.8 billion. The company released \$1.1 billion of reserves in the quarter. The bank set aside tens of billions of dollars last year to cover possible loan defaults, which it has steadily been releasing as the economic outlook improved.

- **Taiwan Semiconductor Manufacturing Co Ltd:** The Taiwanese chip giant announced plans to build a new factory in Japan to meet long-term appetite for chips and said, near-term, tight supplies will likely continue into 2022 amid booming demand during the COVID-19 pandemic. TSMC said it would set up a chip plant in Japan that will use older chipmaking technology, a segment currently under a severe supply shortage due to robust demand from automakers and tech companies. But production from the plant is only likely to begin by late 2024. TSMC posted a net profit of T\$156.3 billion in July-September, well above the T\$149 billion average of 22 analyst estimates. That was 13.8% higher than the same period of last year. The company lifted its revenue growth forecast for 2021 to about 24%, versus an earlier forecast of above 20%, citing an "industry megatrend" of strong chip demand.

- **UnitedHealth Group Inc:** The largest U.S. health insurer raised its full-year adjusted profit forecast after beating analysts' estimates for third-quarter earnings, helped by a jump in revenue from its Optum unit that manages drug benefits. The company said revenue at its Optum business, which offers healthcare data analytics services, jumped about 14%. For the three months ended Sept. 30, UnitedHealth reported a medical loss ratio - the percentage of premiums paid for medical services - of 83.0%, worse than 81.9% a year earlier. Analysts were expecting 83.5%. Excluding items, UnitedHealth reported earnings per share of \$4.52, beating analysts' estimate of \$4.41. UnitedHealth raised its 2021 adjusted earnings per share forecast to \$18.65 to \$18.90, from \$18.30 to \$18.80 earlier.

- **Wells Fargo & Co:** The fourth-largest U.S. bank reported a rise in third-quarter profit as it released funds set aside to cover soured loans brought on by the COVID-19 pandemic. The company has operated since 2018 under consent orders from the Federal Reserve and two other U.S. financial regulators to improve governance and oversight, with the Fed also capping its assets at \$1.95 trillion. The lender reported a \$1.7 billion decrease in the allowance for credit losses in the quarter. It reported a net income of \$5.12 billion, or \$1.17 per share, for the quarter ended Sept. 30, compared with \$3.22 billion, or 70 cents per share, a year earlier. Analysts on average had expected a profit of 99 cents per share.

Deal Of The Day

- **Occidental Petroleum Corp:** The oil and gas producer agreed to sell its interests in two Ghana offshore fields for \$750 million to Kosmos Energy and Ghana National Petroleum Corp, it said on Wednesday, as it looks to cut the debt it took on with its purchase of Anadarko Petroleum. The deal includes Occidental's interests in both the Jubilee and TEN fields, which together had net production of 22,000 barrels of oil equivalent per day for the second-quarter of 2021. An uptick in oil and gas prices have prompted companies to offload assets that they do not consider core to their business, spurring a number of smaller asset deals. Occidental said the proceeds from the Ghana asset sale will be used to cut debt. The company's divestitures as well as free cash flow generation have helped it repay about \$4.5 billion of debt year-to-date.

In Other News

- **Alphabet Inc, Amazon.com Inc, Apple Inc & Facebook Inc:** A bipartisan group of lawmakers, headed by Senators Amy Klobuchar, a Democrat, and Republican Chuck Grassley, plan to introduce a bill that would bar Big Tech platforms, like Amazon and Alphabet's Google, from favoring their products and services. The bill is one of a slew introduced in this Congress aimed at reining in tech firms, including industry leaders Facebook and Apple. Thus far none have become law although one, a broader measure to increase resources for antitrust enforcers, has passed the Senate. This bill, which Klobuchar's office said would be introduced early next week, would be a companion to a measure which has passed the House Judiciary Committee.

- **Amazon.com Inc:** U.S. Senator Elizabeth Warren called for breaking up Amazon.com and Indian retailers demanded a government probe of the company after a Reuters investigation showed the e-commerce giant had copied products and rigged search results in India. The Reuters report, reviewing thousands of internal Amazon documents, found that the U.S. company ran a systematic campaign of creating knockoffs and manipulating search results to boost its own private brands in India, one of the company's largest growth markets. Wednesday's report showed for the first time that, at least in India, manipulating search results to favour Amazon's own products, as well as copying other sellers' goods, were part of a formal strategy at Amazon – and that at least two senior executives had reviewed it. Linking to the story on Twitter, Warren, a long-time critic of Amazon, said "these documents show what we feared about Amazon's monopoly power — that the company is willing and able to rig its platform to benefit its bottom line while stifling small businesses and entrepreneurs."

- **AstraZeneca PLC:** Australian biotech firm CSL said it was committed to its agreement for the production of about 50 million doses of AstraZeneca's COVID-19 vaccine into 2022. The announcement came after a media report said the British drugmaker's vaccine, Vaxzevria, will no longer be manufactured in Australia due to demand for vaccines of Pfizer and Moderna. CSL, in a brief statement, added that more than 20 million of the doses have already been produced, and it is expected that the remaining production will be completed early next year. Cafes, gyms and restaurants in Sydney welcomed back fully vaccinated customers earlier this week after nearly four months of a lockdown, as Australia aims to begin living with the coronavirus and gradually reopen with high rates of inoculation.
- **BHP Group Ltd:** The company's investors look set to offer a lukewarm assessment of the miner's climate change roadmap, due to concerns that its long-term plans to tackle its customers' greenhouse gas emissions do not go far enough. BHP has said it is pursuing the goal of net zero emissions by 2050 for its customers, including the heavily polluting steel industry. But it has stopped short of setting a target largely due to uncertainties over how technology would develop. The miner wants investors to endorse its climate action plan at its shareholder meeting in London, but the response has been mixed. Advisors Glass Lewis and the Local Authority Pension Fund Forum (LAPFF) recommended that investors vote against the plan while ISS offered qualified support.
- **BlackRock Inc:** The world's largest money manager voted against a resolution calling for Commonwealth Bank of Australia (CBA) to stop financing new fossil fuel projects, it said late on Wednesday. CBA's largest shareholder said it opposed the resolution, which also asked the bank to publish targets to cut its fossil fuel exposures consistent with net zero greenhouse gas emissions by 2050, because it was overly prescriptive. "(It) risks unduly constraining management's ability to make business decisions," BlackRock said in a statement on its website. "Further, the company has demonstrated its commitment to integrating climate risks into its long-term strategy, including Task Force on Climate-related Financial Disclosures (TCFD)-aligned reporting since 2018 and a stated goal of net zero emissions by 2050." The lack of support for the resolution was a perfect example of an asset manager failing to live up to its own net zero commitments, said Jack Bertolus of activist group Market Forces, which helped investors organise the resolution.
- **CNH Industrial NV:** The Italian-American vehicle maker said on Wednesday it will temporarily shut several of its European agricultural, commercial vehicle and powertrain manufacturing facilities due to the disruptions of procurement of components, including semiconductors. The maker of farm machinery, Iveco commercial vehicles, construction equipment and powertrains plans to shut the concerned plants for eight working days this month, it said in a statement, adding that it is constantly reviewing its production schedules. Automakers around the world are grappling with the shortage of semiconductor chips amid a post-pandemic rise in demand, forcing several companies to reduce the pace of production in recent months. Besides, some carmakers have warned the chip crisis will drag on into 2022 with earlier industry hopes of a quick resolution long since dashed.
- **Deere & Co:** Thousands of the company's workers began a strike, the United Auto Workers (UAW) said, days after overwhelmingly rejecting a six-year labor contract that was agreed on with the tractor maker. Earlier this month, the world's largest farm equipment maker and the UAW union reached an agreement after weeks of negotiation on wages and other benefits, but 90% of the union's workers voted against the deal. The tentative deal covered about 10,000 production and maintenance employees across 14 facilities in the United States. "Pickets have been set up, and our members are organized and ready to hold out and fight for a contract they believe meets their needs," Ron McInroy, director of UAW Region 4, said on Thursday. Separately, Deere said it remained committed to reaching a new agreement, adding that it had not yet estimated when it would complete negotiations.
- **JPMorgan Chase & Co:** The bank said it has opened a commercial banking office in South Korea, as its two-year international expansion has helped it gain major corporate clients. Starting in 2019, JPMorgan sought to establish a commercial banking presence in 19 countries outside the United States and Canada. "We've been successful in every country we've been to in identifying and landing corporate clients," Andrew Kresse, head of the commercial bank's corporate client banking international group, told Reuters. "Some are like hidden champions. They may not be recognizable to the lay person but they have a big presence in (their country)." The bank's strategy has been to hire local commercial bankers in countries where it already has a presence and to target mid-sized companies, often the subsidiaries of larger corporations that might work with the investment bank.
- **Shopify Inc:** The Canadian e-commerce platform is teaming up with top cloud companies including Microsoft and Oracle to help merchants streamline their business operations. Business owners on the platform can now access Enterprise Resource Planning (ERP) tools including Microsoft Dynamics 365 Business Central, Oracle NetSuite and Infor on the Shopify app. Earlier, they had to rely on third-party applications to connect to Shopify their ERP tools ranging from financial trackers to inventory management systems. The partnerships will help Shopify double down on its fast-growing merchant businesses and let Microsoft and Oracle strengthen their hold on a cloud market dominated by Amazon.com Inc's AWS platform.

- **Tesla Inc:** The electric carmaker on Wednesday reported lower support than usual for two directors at its recent shareholder meeting, and greater support for a call to review the company's use of mandatory arbitration after a court decision in favor of a temporary employee who accused Tesla of racial discrimination. The votes indicated growing shareholder dissatisfaction at the company. In a securities filing Tesla said support for a shareholder resolution on how it handles arbitration matters rose to 46% of votes cast at its annual meeting last week, from 27% for a similar proposal in 2020. Both directors up for election this year also received less support than any did last year. The nonbinding resolution on arbitration had asked Tesla's board to study the impact of its use of mandatory arbitration to resolve workplace complaints of harassment and discrimination. Tesla had opposed the resolution, arguing arbitration can benefit both parties of a dispute.
- **Thomson Reuters Corp:** The company is launching a \$100 million venture capital fund to invest in early stage companies that serve professional audiences in the legal, tax and accounting, and news media business. The fund, named "Thomson Reuters Ventures," is part of Chief Executive Steve Hasker's plan to transform the provider of news and information to professionals into what it calls a "content-driven technology business." The fund will focus on companies in their Series A and Series B investment rounds. Thomson Reuters wants to identify companies that can help its customers "deliver more value" to their customers - whether that be machine learning for better prediction, or automating for better efficiency, said Pat Wilburn, Chief Strategy Officer at Thomson Reuters. Wilburn will serve as executive director of the fund.
- **Toyota Motor Corp:** Japan's biggest steelmaker Nippon Steel said it had filed patent infringement lawsuits against Toyota and China's Baoshan Iron & Steel (Baosteel) with a Tokyo district court. Nippon Steel is seeking \$176 million in damages from each company, alleging the two firms have infringed on its patents on non-oriented magnetic steel sheets that are used in electric vehicles, it said in a statement. Toyota said in a statement to Reuters the suit was "very regrettable" and that it had found no patent infringement issues before it signed a supply deal with the steelmaker. In a rare lawsuit against its key customer, Nippon Steel has also filed a petition for a preliminary injunction prohibiting Toyota from manufacturing and selling motor-driven vehicles that use the electrical steel sheets allegedly violating its patents. This is the first time Nippon Steel has filed a patent infringement lawsuit against Toyota, the spokesperson added.
- **Wipro Ltd:** Shares of the Indian IT services company surged, a day after it beat market expectations to log a near 19% rise in quarterly consolidated net profit. The company also forecast revenue growth in the December quarter to be in the range of 2%-4% on improving demand for digital transformation-related services. Wipro said it expects an increase in digital-oriented and other strategic deals. Its IT services revenue rose to 193.80 billion rupees compared with 147.68 billion rupees a year earlier. "Wipro has registered healthy growth in revenues on an organic basis. The company, under the new CEO, is on the verge of a turnaround," analysts at IDBI Capital wrote in a note. Analysts at Motilal Oswal see Wipro's guidance as positive and added the management's growth strategy, continued investment in talent and simplified operational model have started to benefit the company.

FOCUS

After Wild West start, scooter providers chase scale to survive

The era of breakneck growth for electric scooter firms is giving way to more selective expansion focused on profits as they face tougher regulations, more demanding customers and wary insurers.

ANALYSTS' RECOMMENDATION

- **First Republic Bank:** Wedbush raises target price to \$235 from \$230, after the company reported another excellent quarter for the three months to September.
- **General Motors Co:** Daiwa Capital Markets raises target price to \$67 from \$60, saying the company's long term strategy outline offers a clear roadmap to growing revenue and making the business less cyclical.
- **JPMorgan Chase & Co:** RBC raises target price to \$175 from \$160, based on the company's better-than-anticipated net interest income, lower expenses and a significant loan loss provision benefit in the third quarter.
- **Pacira Biosciences Inc:** Piper Sandler raises target price to \$92 from \$91 in the wake of the company's announcement that it plans to acquire Flexion.

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

0830 (approx.) **Initial jobless claims**: Expected 319,000; Prior 326,000
 0830 (approx.) **Jobless claims 4-week average**: Prior 344,000
 0830 (approx.) **Continued jobless claims**: Expected 2.675 mln; Prior 2.714 mln
 0830 (approx.) **PPI machine manufacturing** for Sept: Prior 150.1
 0830 (approx.) **PPI final demand yy** for Sept: Expected 8.7%; Prior 8.3%
 0830 (approx.) **PPI final demand mm** for Sept: Expected 0.6%; Prior 0.7%
 0830 (approx.) **PPI ex-food/energy yy** for Sept: Expected 7.1%; Prior 6.7%
 0830 (approx.) **PPI ex-food/energy mm** for Sept: Expected 0.5%; Prior 0.6%
 0830 (approx.) **PPI ex-food/energy/transport yy** for Sept: Prior 6.3%
 0830 (approx.) **PPI ex-food/energy/transport mm** for Sept: Prior 0.3%

COMPANIES REPORTING RESULTS

Citigroup Inc: Expected Q3 earnings of \$1.65 cents per share
Domino's Pizza Inc: Expected Q3 earnings of \$3.11 cents per share
Morgan Stanley: Expected Q3 earnings of \$1.68 cents per share

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

0800 **US Bancorp**: Q3 earnings conference call
 0830 **Morgan Stanley**: Q3 earnings conference call
 0845 **UnitedHealth Group Inc**: Q3 earnings conference call
 0900 **Bank of America Corp**: Q3 earnings conference call
 1000 **Citigroup Inc**: Q3 earnings conference call
 1000 **Domino's Pizza Inc**: Q3 earnings conference call
 1000 **Paychex Inc**: Annual Shareholders Meeting
 1100 **Commercial Metals Co**: Q4 earnings conference call
 1100 **Medallia Inc**: Shareholders Meeting
 1130 **Wells Fargo & Co**: Q3 earnings conference call
 1700 **Alcoa Corp**: Q3 earnings conference call
 1700 **Duck Creek Technologies Inc**: Q4 earnings conference call

EX-DIVIDENDS

Abbott Laboratories: Amount \$0.45
Abbie Inc: Amount \$1.30
Acuity Brands Inc: Amount \$0.13
Alamo Group Inc: Amount \$0.14
American Financial Group Inc: Amount \$0.56
Arcosa Inc: Amount \$0.05
Bank Ozk: Amount \$0.29
Buckle Inc: Amount \$0.33
City Holding Co: Amount \$0.58
Compass Diversified Holdings: Amount \$0.36
EMCOR Group Inc: Amount \$0.13
EOG Resources Inc: Amount \$0.41
Foot Locker Inc: Amount \$0.30
Freeport-McMoRan Inc: Amount \$0.07
Graham Holdings Co: Amount \$1.51
Highpeak Energy Inc: Amount \$0.02
IDEX Corp: Amount \$0.54
Jacobs Engineering Group Inc: Amount \$0.21
Johnson Outdoors Inc: Amount \$0.30
McGrath RentCorp: Amount \$0.43
Methode Electronics Inc: Amount \$0.14
Mid-America Apartment Communities Inc: Amount \$1.02
Oxford Industries Inc: Amount \$0.42
PennyMac Mortgage Investment Trust: Amount \$0.47
Phillips Edison & Co Inc: Amount \$0.09
PNC Financial Services Group Inc: Amount \$1.25
Quaker Chemical Corp: Amount \$0.41

Saul Centers Inc: Amount \$0.55

Science Applications International Corp: Amount \$0.37

SYNNEX Corp: Amount \$0.20

Trinity Industries Inc: Amount \$0.21

Watsco Inc: Amount \$1.95

WD-40 Co: Amount \$0.72

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

PICTURE OF THE DAY



A man sits on his balcony amid a sea of balconies at an apartment building in Arlington, Virginia, October 13. REUTERS/Kevin Lamarque

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(Compiled by Haneyl Jacob and Sourav Bose in Bengaluru)

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