

MORNING NEWS CALL

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U.S. Edition

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Earnings Roundup

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TOP NEWS

- **Hungry for fuel, China looks to the U.S., Europe eyes relief plans**

China's energy crisis deepened with coal prices hitting a record high as cold weather sweeps in and soaring gas prices prompting major energy companies to seek long-term deals with U.S. suppliers, sources told Reuters.

- **U.S. banks see wealth management boom on borrowing, new assets**

Big U.S. banks' wealth management businesses put in another stellar performance in the third quarter, buoyed by record levels of new money flowing into accounts and surging demand from clients to borrow against their investment portfolios.

- **South Korea targets Apple over new app store regulation**

Apple was on a collision course with South Korea over new requirements that it stop forcing app developers to use its payment systems, with a government official warning of a possible investigation into the iPhone maker's compliance.

- **Aviation supply chain faces mounting strain as demand picks up**

Global shipping and supply chain disruptions are making it harder for corporate planemakers and suppliers to meet resurgent demand for parts, according to industry executives and analysts.

- **Biden signs bill raising U.S. debt limit, averting default**

U.S. President Joe Biden on Thursday signed legislation temporarily raising the government's borrowing limit to \$28.9 trillion, pushing off the deadline for debt default only until December.

BEFORE THE BELL

Bitcoin hit a six-month high of \$60,000, approaching the record hit in April, as traders became increasingly confident U.S. regulators would approve the launch of an exchange-traded fund based on its futures contracts. **Global stocks** rose as a bright start to the earnings season helped ease investor concerns about higher inflation. The **dollar** was little changed versus major peers. **Oil** prices advanced on forecasts of a supply deficit as rocketing gas and coal prices stoke a switch to oil products. **Gold** prices fell as **U.S. bond yields** rebounded. U.S. retail sales figures are due later in the day.

STOCKS TO WATCH

Moves

- **Royal Dutch Shell Plc:** The firm has appointed Wael Sawan as head of its integrated gas and renewables division, replacing Maarten Wetselaar who will leave the energy company after 25 years. Sawan currently heads Shell's oil and gas production, or upstream, division. In his new position he will oversee Shell's continued expansion into low-carbon and renewable energies as well as the power markets, key pillars in Shell's strategy to reduce its emissions to net zero by 2050. Sawan, 47, a Canadian citizen of Lebanese origin, is seen by many as a potential successor to Chief Executive Ben van Beurden along with Huibert Vigeveno, who heads Shell's refining and chemicals division.

In Other News

- **Abbott Laboratories:** A unit of the company is recalling two COVID-19 laboratory test kits as they can potentially issue false

positive results, the U.S. Food and Drug Administration (FDA) said. The regulator has identified the recall of the Alinity m SARS-CoV-2 AMP and the Alinity m Resp-4-Plex AMP test kits by unit Abbott Molecular Inc as a Class 1 recall, the most serious type. The agency in September issued a letter cautioning healthcare providers and clinical laboratories of a potential for false positive results with the two tests, and recommended they consider retesting positive patient samples with another authorized COVID-19 test. The agency said no deaths or adverse health consequences have been reported from use of the tests.

- **Apple Inc:** The company was on a collision course with South Korea over new requirements that it stop forcing app developers to use its payment systems, with a government official warning of a possible investigation into the iPhone maker's compliance. The development comes after South Korea amended the Telecommunication Business Act in August to try to curb the tech majors' market dominance and stop the big app store operators such as Apple and Alphabet Inc's Google from charging commissions on in-app purchases. "This goes against the purpose of the amended law," the official said, requesting anonymity as the KCC was still in talks with Apple on compliance. The regulator would ask Apple's South Korean unit for a new company policy giving greater autonomy in payment methods, and if Apple failed to comply, would consider measures such as a fact-finding probe as a precursor to possible fines or other penalties.

- **Bank of America Corp, Morgan Stanley Inc & JPMorgan Chase & Co:** Big U.S. banks' wealth management businesses put in another stellar performance in the third quarter, buoyed by record levels of new money flowing into accounts and surging demand from clients to borrow against their investment portfolios. Global financial wealth soared to a record high of \$250 trillion in 2020, according to a June report by Boston Consulting Group. That has increased demand for money managers, increased the value of assets managed by these brokerages, and made it more appealing for customers to borrow. A booming area of lending for wealth management brokerages, so-called securities based loans or lines of credit, allow clients to borrow up to a certain percent of the value of their investment accounts to spend on anything except more securities. As those investment accounts have grown in value, so have loans.

- **Boeing Co:** A former chief technical pilot for the company was charged with fraud for deceiving federal regulators evaluating the company's 737 MAX jet, hindering the ability to protect airline passengers and leaving "pilots in the lurch," the U.S. Justice Department said. According to the indictment, Forkner, largely in the run-up to the Federal Aviation Administration's decision to approve the 737 MAX in 2017, provided the FAA Aircraft Evaluation Group with "materially false, inaccurate, and incomplete information" about a new part of the flight controls for the Boeing 737 MAX, called the Maneuvering Characteristics Augmentation System (MCAS). Separately, the company said it had named Heidi Grant, director of the U.S. Defense Security Cooperation Agency (DSCA), as the vice president of business development.

- **Facebook Inc:** The attorneys general of 14 U.S. states sent a letter to Facebook Inc Chief Executive Mark Zuckerberg asking if the top disseminators of vaccine disinformation on the platform received special treatment from the company. The line of inquiry was generated after Facebook whistleblower Frances Haugen used internal documents to disclose that the social media platform has built a system that exempts high-profile users from some or all of its rules. In the letter, which was sent on Wednesday, the 14 Democratic attorneys general said they are "extremely concerned" with recent reports that Facebook maintained lists of members who have received special treatment, and want to know if the "Disinformation Dozen" were part of those lists. The Center for Countering Digital Hate describes the "Disinformation Dozen" as 12 anti-vaxxers who are responsible for almost two-thirds of anti-vaccine content circulating on social media platforms.

- **Johnson & Johnson:** The firm put into bankruptcy tens of thousands of legal claims alleging its Baby Powder and other talc-based products caused cancer, offloading the potential liabilities into a newly created subsidiary. J&J put the talc claims into an entity called LTL Management LLC, which filed for bankruptcy protection on Thursday in North Carolina, according to the company and court records. J&J and its affiliates were not part of the bankruptcy filing. J&J executed Thursday's corporate reshuffling through a contentious legal maneuver known as a Texas two-step bankruptcy, a strategy other companies facing asbestos litigation have used. Plaintiffs' lawyers decried the bankruptcy filing.

- **Pearson Plc:** The global education group said enrolments at community colleges in the United States had been hit by a recent surge in COVID-19 cases and a tight labour market, limiting growth and sending its shares to their lowest level since January. In a key trading update covering the period when students buy textbooks and materials for the academic year ahead, Pearson said revenue from its U.S. Higher Education Courseware had fallen by 9% in the first nine months. Pearson said it remained on course for its full-year targets, however, as demand for Virtual Learning and English Language Learning helped sales to rise by 14% and 15% respectively. Its new Pearson+ app was also being used by more than two million people. "That's pretty good going for 12 weeks," CEO Andy Bird told Reuters.

- **Toyota Motor Corp:** The carmaker cut its planned global output for November by as much as 15% due to ongoing chip shortages, but indicated it would ramp up production from December by sticking to its latest full-year production target. Japan's leading carmaker said in a press release it would produce between 100,000 and 150,000 fewer vehicles in November than it had planned for a month that was meant see a rebound in lost output. "I can't predict what is going to happen, but I think we are through the worst period of lower production risks," Kazunari Kumakura, an executive at the world's biggest carmaker, said during an online briefing. The total reduction in production from September through November will be as much as 910,000 vehicles, a Toyota spokesperson said.

- **Turquoise Hill Resources Ltd:** The Canadian miner said the estimated additional funding required for the Oyu Tolgoi mine in Mongolia was now \$1.2 billion higher than previously expected due to some delays. Oyu Tolgoi, one of the world's largest copper-gold-silver mines, was at the center of a long-running funding spat between Rio Tinto and Turquoise. Costs for

expansions at the mine have ballooned over time and caused friction between the two companies. The Mongolian government holds a 34% stake in the Oyu Tolgoi project with Rio's majority-owned Turquoise owning the rest.

• **Virgin Galactic Holdings Inc:** The Space exploration company said it is delaying its commercial space travel service to the fourth quarter of 2022 and will not conduct another planned test flight this year. Virgin Galactic said "commercial service is now expected to commence in Q4 2022." Shares in the company fell in afterhours trading. Virgin Galactic said it will now begin its planned enhancement program first and will conduct the Unity 23 test flight after this work is complete and before starting commercial service. The enhancement program is designed to improve vehicle performance and flight-rate capability. The company said one recent laboratory-based test "flagged a possible reduction in the strength margins of certain materials used to modify specific joints."

ANALYSIS

Deals, data buzz could help biotech shares exit Wall Street's 'no man's land'

Sluggish U.S. biotech shares could require a wave of deal-making or exciting clinical trial results if the sector wants to join the stock market's party after lagging Wall Street's broad advance this year.

ANALYSTS' RECOMMENDATION

- **Bank of America Corp:** Evercore ISI raises target price to \$48 from \$43, citing the company's third-quarter profit beat and a little better than modeled net interest income.
- **Boeing Co:** CFRA cuts target price to \$272 from \$285, as the company's quality control missteps continue.
- **Domino's Pizza Inc:** Jefferies cuts target price to \$500 from \$522, citing the company's first drop in U.S. same-store sales in over a decade.
- **Tesla Inc:** Jefferies raises target price to \$950 from \$850, based on higher capacity ramp and sustained demand.
- **UnitedHealth Group Inc:** JPMorgan raises target price to \$475 from \$455, following the company's strong third-quarter results and favorable 2022 commentary.

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

0830 **NY Fed manufacturing** for Oct: Expected 27.00; Prior 34.30
 0830 (approx.) **Import prices mm** for Sept: Expected 0.6%; Prior -0.3%
 0830 (approx.) **Export prices mm** for Sept: Expected 0.6%; Prior 0.4%
 0830 (approx.) **Import prices yy** for Sept: Prior 9%
 0830 (approx.) **Retail sales mm** for Sept: Expected -0.2%; Prior 0.7%
 0830 (approx.) **Retail sales ex-autos mm** for Sept: Expected 0.5%; Prior 1.8%
 0830 (approx.) **Retail ex-gas/autos** for Sept: Prior 2%
 0830 (approx.) **Retail control** for Sept: Expected 0.4%; Prior 2.5%
 0830 (approx.) **Retail sales yy** for Sept: Prior 15.06%
 1000 (approx.) **Business inventories mm** for Aug: Expected 0.6%; Prior 0.5%
 1000 (approx.) **Retail inventories ex-auto R** for Aug: Prior 0.6%
 1000 **U Mich sentiment preliminary** for Oct: Expected 73.1; Prior 72.8
 1000 **U Mich conditions preliminary** for Oct: Expected 82; Prior 80.1
 1000 **U Mich expectations preliminary** for Oct: Expected 70.3; Prior 68.1
 1000 (approx.) **U Mich 1 year inflation preliminary** for Oct: Prior 4.6%
 1000 (approx.) **U Mich 5-year inflation preliminary** for Oct: Prior 3%

COMPANIES REPORTING RESULTS

Charles Schwab Corp: Expected Q3 earnings of 81 cents per share
Goldman Sachs Group Inc: Expected Q3 earnings of \$10.11 cents per share
Prologis Inc: Expected Q3 earnings of 52 cents per share

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

0800 **Karooooo Ltd:** Q2 earnings conference call
 0800 **Truist Financial Corp:** Q3 earnings conference call
 0900 **PNC Financial Services Group Inc:** Q3 earnings conference call
 0930 **Sensient Technologies Corp:** Q3 earnings conference call
 1000 **J B Hunt Transport Services Inc:** Q3 earnings conference call
 1030 **Goldman Sachs Group Inc:** Q3 earnings conference call
 1100 **Badger Meter Inc:** Q3 earnings conference call
 1100 **QAD Inc:** Shareholders Meeting
 1200 **Prologis Inc:** Q3 earnings conference call

EX-DIVIDENDS**Amerco:** Amount \$0.50**Cadence Bancorp:** Amount \$0.15**Dime Community Bancshares Inc:** Amount \$0.24**Graco Inc:** Amount \$0.18**Hormel Foods Corp:** Amount \$0.24**RPM International Inc:** Amount \$0.40

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

PICTURE OF THE DAY



The sky goes orange behind the Washington Monument and the Smithsonian Castle as a couple pose for a sunset selfie in Washington U.S., October 14. REUTERS/Kevin Lamarque

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