

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street ended sharply lower and **Treasury yields** surged after data showed U.S. job openings rose more than expected in August underscoring the view that interest rates will be higher for longer. The **yen** strengthened sharply against the **dollar**, while **gold** prices declined. **Oil** recovered after hitting a three-week low, supported by tightening supply.

STOCKS	Close	Chng	% Chng	Yr-high	Yr-low
DJIA	33007.42	-425.93	-1.27	35679.13	28660.94
Nasdaq	13059.47	-248.31	-1.87	14446.55	10265.04
S&P 500	4229.51	-58.88	-1.37	4607.07	3794.33
Toronto	19020.92	-156.26	-0.81	20843.21	17873.18
FTSE	7470.16	-40.56	-0.54	8047.06	7206.82
Eurofirst	1748.90	-18.44	-1.04	1868.30	1678.85
Nikkei	31237.94	-521.94	-1.64	33772.89	25661.89
Hang Seng	17331.22	-478.44	-2.69	22700.85	17352.83

TREASURIES	Yield	Price
10-year	4.7997	-28 /32
2-year	5.1523	-2 /32
5-year	4.8028	-12 /32
30-year	4.9275	-61 /32

FOREX	Last	% Chng
Euro/Dollar	1.0471	-0.05
Dollar/Yen	148.74	-0.74
Sterling/Dollar	1.2080	-0.05
Dollar/CAD	1.3707	0.23
USD/CNH (Offshore)	7.3190	-0.03

COMMODITIES (\$)	Price	Chng	% Chng
Front Month Crude /barrel	89.52	0.70	0.79
Spot gold (NY/oz)	1823.98	-3.42	-0.19
Copper U.S. (front month/lb)	0.0361	-0.0002	-0.55
CRB Index Total Return	317.46	-1.08	-0.34

S&P 500	Price	\$ Chng	% Chng
GAINERS			
NiSource Inc	23.96	0.78	3.34
FirstEnergy Corp	33.61	1.01	3.10
CMS Energy Corp	51.89	1.32	2.61
LOSERS			
Veralto Corp	77.51	-7.61	-8.94
McCormick & Company Inc	68.40	-6.32	-8.46
Carnival Corp	12.74	-0.90	-6.60

Coming Up

U.S. labor market will be under focus as the ADP National Employment report is expected to show that **private payrolls** rose 153,000 in September, compared with a 177,000 rise in August. Meanwhile, the **Institute for Supply Management's non-manufacturing Purchasing Managers' Index (PMI)** will possibly show a reading of 53.6 for September, down from August's 54.5 level. Separately, **S&P Global's composite and services PMI** surveys for September are also scheduled for release. The Commerce Department is expected to report that **orders for factory goods** inched up 0.2% in August, after declining 2.1% in July.

Several Federal Reserve officials are scheduled to speak at the Community Banking Conference. **Kathleen O'Neill Paese**, St. Louis Fed's interim president, gives welcome remarks.

Kansas City Fed's **Jeffrey Schmid** is also scheduled to speak at the conference. Fed Governor **Michelle Bowman** speaks on "The Role of Research, Data and Analysis in Banking Reforms". Separately, Chicago Fed's **Austan Goolsbee** is expected to speak before the Chicago Payments Symposium, and is later scheduled to moderate a discussion at Annual Financial Markets Group Fall Conference.

Exxon Mobil Corp provides a glimpse of its third-quarter results in a filing with SEC. Operating profit will reflect a \$20 per barrel increase in the price of crude oil and stronger refining margins versus second quarter.

The **SAG-AFTRA actors' union** and the **Alliance of Motion Picture and Television Producers (AMPTP)** are expected to resume negotiations.

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
ADP national employment for Sept	0815	153,000	177,000
S&P Global Composite Final PMI for Sept	0945	--	50.1
S&P Global Services PMI Final for Sept	0945	--	50.2
Durables ex-defense, r mm for Aug	1000	--	-0.7%
Durable goods, r mm for Aug	1000	--	0.2%
Factory orders mm for Aug	1000	0.2%	-2.1%
Durables ex-transport r mm for Aug	1000	--	0.4%
Non-defense capital ex-air r mm for Aug	1000	--	0.9%
Factory ex-transport mm for Aug	1000	--	0.8%
ISM N-Manufacturing PMI for Sept	1000	53.6	54.5
ISM N-Manufacturing Bus Act for Sept	1000	56.5	57.3
ISM N-Manufacturing Employment Index for Sept	1000	--	54.7
ISM N-Manufacturing New Orders Index for Sept	1000	--	57.5
ISM N-Manufacturing Price Paid Index for Sept	1000	--	58.9
Overall Comprehensive Risk for Q4	1300	--	8.08

International Business Machines Corp (IBM) will ask the U.S. Court of Appeals for the Federal Circuit to reverse a decision that pet-food retailer **Chewy Inc's** website and mobile app did not infringe the company's patents. A Manhattan federal court found last year that one of the IBM patents was invalid because it covered an unpatentable abstract idea and that Chewy did not infringe the others because its technology functions differently than IBM's.

The **World Bank** will publish its most recent **outlook** on **Latin America** and the **Caribbean** and the region's Chief Economist will brief on how digital solutions can foster inclusive growth and better governance. Separately, **S&P Global's composite** and **services PMIs** for **Brazil** are scheduled for release.



A file photo shows a man walking past an office building with IBM logo in the Central Business District of Sydney, Australia, June 3, 2020. REUTERS/Loren Elliott

Market Monitor

Major **stock indexes** ended sharply lower as economic data underscored the view the Federal Reserve may need to keep interest rates high. "The scenario that most investors were assuming is the Fed would need to ultimately cut short-term rates, and we would return to a favorable interest rate environment," said Rick Meckler, partner at Cherry Lane Investments, a family investment office in New Vernon, New Jersey. "But investors are seeing a different scenario now - higher rates for longer." The **Dow Jones Industrial Average** fell 1.27% to 33,007.42, the **S&P 500** lost 1.37% at 4,229.45 and the **Nasdaq Composite** dropped 1.87% to 13,059.47.

Treasury yields climbed on investor worries that the Federal Reserve will hold interest rates higher for longer after job openings unexpectedly increased in August. "The higher-for-longer repricing continues to be the bulk of the move," said Gennadiy Goldberg, head of U.S. rates strategy at TD Securities in New York. "There's certainly worries about supply (and) there's longer-term worries about oil prices." The **benchmark 10-year notes** fell 28/32 to yield 4.7997%. The **two-year notes** were down 2/32, yielding 5.1502%. The **30-year bonds** fell 1-29/32, yielding 4.9286%.

The **yen** strengthened sharply against the **dollar**, leading some in the market to believe Japanese policymakers had intervened, although others said the size of the move was not convincing enough. Traders have been on watch for weeks for a possible intervention by Japanese officials to combat a sustained depreciation in the yen. "It has all the hallmarks of intervention," said Michael Brown, market analyst at Trader X in London, about the move,



A file photo of traders working on the floor of the New York Stock Exchange in New York City, September 26. REUTERS/Brendan McDermid

which saw the dollar break above the 150 level for the first time since October 2022, before quickly falling to a low of 147.30 as the yen surged. "It would have to be an incredible coincidence for it not to be," said Brown. The **dollar index** rose 0.10% to 107.02. Against the **Japanese yen**, the dollar was 0.73% lower at 148.75 yen.

Oil prices recovered to trade slightly higher after sinking to three-week lows, pressured by a stronger U.S. dollar and darkening global economic signals but supported by tightening crude supply. "We have seen an incredible increase in the yields and the dollar and that's raised concerns about demand going forward," said Phil Flynn, an analyst at Price Futures Group. Higher interest rates and a stronger dollar make oil more expensive for holders of other currencies, which could dampen oil

demand. **Brent crude futures** rose 0.43% to \$91.10 a barrel. **U.S. West Texas Intermediate (WTI) crude futures** were up 0.80% to \$89.53 per barrel.

Gold prices languished near a seven-month low, weighed down by a robust dollar and elevated bond yields as the likelihood of U.S. interest rates staying higher for longer dominated sentiment. "The JOLTS report has surprised the market as it raises prospects of another hike but also lowers expectation of a slowdown in the U.S. economy, pressuring precious metals," said Edward Moya, senior market analyst at OANDA. **Spot gold** was down 0.15% at \$1,824.72 per ounce. **U.S. gold futures** were 0.40% lower at \$1,839.80 per ounce.

Top News

UK regulator to push for probe into Amazon, Microsoft cloud dominance

British media regulator Ofcom will this week push for an antitrust investigation into Amazon and Microsoft's dominance of the UK's cloud computing market, according to two sources familiar with the matter. Between them, Amazon and Microsoft enjoy a combined market share of 60-70% of Britain's cloud computing industry. Meanwhile, their closest competitor, Alphabet's Google, has closer to 10%. Ofcom's push for an antitrust probe, first signalled in April, will remain in the body's final report on the matter, set to be published on Thursday, one of the sources said. Both Amazon and Microsoft previously said they would continue working with Ofcom ahead of the publication of its final report.

Sam Bankman-Fried's father, ex-Trump staffer among possible trial witnesses

Sam Bankman-Fried's father and brother, as well as Donald Trump's former spokesman Anthony Scaramucci, are among possible witnesses at the cryptocurrency exchange founder's fraud trial, according to a list read by a prosecutor in court. There is no guarantee that Scaramucci, Bankman-Fried's father Joseph Bankman or his brother Gabriel Bankman-Fried will testify during the trial, which is expected to last six weeks and kicked off on Tuesday with jury selection. Prosecutor Danielle Sassoon read the list of dozens of names - which included both proposed prosecution and defense witnesses - to see if any prospective jurors knew them. At the outset of proceedings, U.S. District Judge Lewis Kaplan told the 31-year-old former billionaire in open court that it would ultimately be his decision whether to testify in his own defense, and asked Bankman-Fried whether he understood. "Yes," Bankman-Fried replied.

Court tosses \$223.8 million verdict against J&J in talc cancer case

A New Jersey appeals court threw out a \$223.8 million verdict against Johnson & Johnson that a jury had awarded to four plaintiffs who claimed they developed cancer from being exposed to asbestos in the company's talc powder products. The Superior Court of New Jersey, Appellate Division found that a lower court judge should not have allowed some of the scientific expert testimony the plaintiffs presented to jurors at trial. J&J Worldwide Vice President of Litigation Erik Haas said in a statement that the decision "resoundingly rejects ... the 'junk science' advanced by purported 'experts' paid by the mass tort asbestos bar." The company again said that its talc products are safe and do not contain asbestos.

Meta's Instagram, Facebook to charge EU users for ad-free service - source

Meta Platforms is looking to introduce ad-free subscription plans for Instagram and Facebook users in Europe, two people familiar with the matter said. Several pricing plans were discussed, but the \$10.49 per month plan is the most feasible, one of them said, while the other source said it will be implemented in the coming months. The proposal is an attempt by Meta to comply with European Union regulations that threaten to curb its ability to personalize ads for users without their consent and hurt its major revenue source. Meanwhile, Meta is planning to lay off employees on Wednesday in the unit of its metaverse-oriented Reality Labs division focused on creating custom silicon, two sources



Sam Bankman-Fried sits beside his defense lawyer Christian Everdell on the first day of his fraud trial over the collapse of FTX, the bankrupt cryptocurrency exchange, at Federal Court in New York City, October 3, in this courtroom sketch. REUTERS/Jane Rosenberg

familiar with the matter told Reuters. To read more, [click here](#)



Netflix plans to raise prices after actors' strike ends - WSJ

Netflix is planning to raise the price of its ad-free service after the ongoing Hollywood actors' strike ends, the Wall Street Journal reported, sending the streaming company's shares up. Netflix is discussing raising prices in several markets globally, but will likely begin with the United States and Canada, the WSJ reported, citing people familiar with the matter. It was not immediately clear how much Netflix will raise prices by or when exactly the new prices will take effect, according to the report. The company shares ended 0.94% lower at \$376.75. Separately, satellite TV provider DirecTV warned CNN-parent Warner Bros Discovery that its plan to stream the news service risks violating a contract between the companies, the New York Times reported, citing people familiar with the matter. To read more, [click here](#)

Hospitality workers, Las Vegas casinos in crunch time for labor talks

Unions representing roughly 53,000 Las Vegas workers kicked off critical negotiating sessions with hotel and casino operators after its members voted at the end of September to authorize a city-wide strike. The culinary workers union and bartenders union represent workers at properties around the city, including those operated by MGM Resorts International, Caesars Entertainment, and Wynn Resorts. Workers are

negotiating for a new five-year contract to boost wages and benefits as tourism in Las Vegas recovers from depressed visitor levels during the pandemic. The Las Vegas unions are among the most powerful in the United States, covering workers that wait tables, clean hotel rooms and prepare food. Their demands mirror similar activity in shipping, rail and auto industries where employees have sought better compensation due to the higher cost of living as unemployment stays low. "The companies have an opportunity to do the right thing and step up and get a contract done, but if not there could be a strike any time after that," said Ted Pappageorge, Secretary-Treasurer for the culinary union. "Any time after October 6th, there could be a strike," he said.

United Airlines to announce order for 110 Airbus, Boeing jets - sources

United Airlines was set on Tuesday to announce an order for 50 widebody 787 Dreamliners from Boeing and 60 A321 narrowbody jets from Airbus, two people with knowledge of the matter told Reuters. Weakening pricing power in United's domestic market has sparked concerns about travel demand, reflected in airline share prices. While travel spending has remained robust despite an uncertain economic outlook, analysts are not sure consumers will keep splurging on travel if the economy slips into a recession.

Elon Musk must face fraud lawsuit for disclosing Twitter stake late

Elon Musk was ordered by a U.S. judge to face most of a lawsuit claiming he defrauded former Twitter shareholders last year by waiting too long to disclose that he had invested in the social media company, which he later bought and renamed X. In a decision made public on Monday, U.S. District Judge Andrew Carter said shareholders in the proposed class action could try to prove that Musk intended to defraud them by waiting 11

days past a U.S. Securities and Exchange Commission deadline to reveal he had bought 5% of Twitter's shares. The judge in Manhattan also dismissed an insider trading claim against Musk. Musk's lawyers argued that their client was "one of the busiest people on the planet," and that any disclosure failure was "inadvertent."

Amgen's late-stage data for lung cancer drug 'not adequate' - FDA staff

The U.S. Food and Drug Administration staff reviewers said Amgen's late-stage study might not be sufficient to confirm the effectiveness for its lung cancer drug, as the firm pursues a traditional nod for the treatment. The assessment comes ahead of a panel meeting of expert advisers to the U.S. health agency, who will vote on the reliability of the data on Thursday. Amgen's late-stage confirmatory study may not be considered "adequate and well-controlled", the staff reviewers said in briefing documents published on the FDA's website, citing several issues with the way the study was conducted.

PNC Bank buys \$16.6 billion capital commitment portfolio from Signature Bridge Bank

PNC Financial Services' banking unit said that it had bought a portfolio of capital commitments from Signature Bridge Bank worth \$16.6 billion in an agreement with the Federal Deposit Insurance Corp as receiver. The portfolio comprises fund subscription credit lines extended to private-equity firms to help manage liquidity and bridge financing for investments and includes \$9 billion of funded loans. "PNC has long participated in the capital commitments business and the acquired portfolio is highly complementary," the bank said in a statement. The transaction, to be funded with cash on hand, is expected to immediately add to PNC's earnings, and will represent about 10 cents per share in the fourth quarter of 2023, PNC Bank said.



A model presents a creation by designer Virginie Viard as part of her Spring/Summer 2024 Women's ready-to-wear collection show for fashion house Chanel during Paris Fashion Week in Paris, France, October 3. REUTERS/Sarah Meyssonnier

Insight and Analysis

Detroit's strikes become an industrial 'Survivor' game

The United Auto Workers head into the 19th day of strikes with a bold strategy that places the Detroit Three automakers into a high-stakes game of "Survivor" with a weekly decision on which factories the strike will hit next, with layoffs mounting, suppliers hurting and harsh rhetoric from both sides. UAW President Shawn Fain has transformed the rituals of contract talks with General Motors, Ford and Chrysler parent Stellantis into a high-stakes, made-for-media game. The automakers will look for clues on how to survive in the agreement the union reached on Sunday with Volvo Group-owned Mack Trucks.

FOCUS-UPS and FedEx customers regain upper hand in delivery price battle

U.S. retailers and other delivery customers for the first time in more than four years are easily winning discounts from United Parcel Service and FedEx, according to industry data and interviews with seven professionals who advise shippers in price negotiations. That's a sharp reversal from 2021 and the first half of 2022, when UPS and FedEx - awash with volume from the early pandemic's online shopping surge - rebuffed discount requests and cherry-picked the most profitable customers. Now, those same companies are fighting to fill trucks as demand shrinks.

GRAPHIC-Why a rout in government bonds is worrying

The world's biggest bond markets are in the throes of another rout as a new era of higher for longer interest rates takes hold. In the U.S. Treasury market, the bedrock of the global financial system, 10-year bond yields have shot up to 16-year highs. In Germany, they touched their highest since the 2011 euro zone debt crisis. Even in Japan, where official rates are still below 0%, bond yields are back at levels seen in 2013. Because government borrowing costs influence everything from mortgage rates for homeowners to loan rates for corporates, there's plenty of reason for angst.

CANADA

Market Monitor

Canada's main stock index declined, tracking a sell-off in the broader market after U.S. Treasury yields rose to a fresh 16-year high on worries that the central bank will hold interest rates higher for longer.

The **Toronto Stock Exchange's S&P/TSX composite index** ended down 0.81% at 19,020.92.

The **materials sector**, which includes precious and base metals miners and fertilizer companies, dipped 0.85% to 301.40 after an unexpected rise in U.S.

job openings in August fanned fears of higher interest rates.

The **U.S. dollar** was 0.22% higher against its **Canadian counterpart** at C\$1.3706.



REUTERS/Mark Blinch

TSE's S&P/TSX composite	Price	C\$ Chng	% Chng
GAINERS			
IAMGOLD Corp	2.94	0.18	6.52
Osisko Mining Inc	2.49	0.13	5.51
Park Lawn Corp	18.79	0.83	4.62
First Majestic Silver Corp	7.05	0.29	4.29
Silvercrest Metals Inc	6.08	0.19	3.23
LOSERS			
Lundin Mining Corp	9.21	-0.51	-5.25
Shopify Inc	70.44	-3.40	-4.60
Nutrien Ltd	78.40	-3.46	-4.23
Canfor Corp	15.99	-0.70	-4.19
Canada Goose Holdings Inc	18.93	-0.77	-3.91

Top News

Bank of Canada says firms' pricing behavior could stoke inflation

Canadian businesses have made larger and more frequent price changes since the pandemic, passing on higher costs to consumers, and that behavior could stoke inflation, the Bank of Canada (BoC) said. The BoC held its key overnight interest rate at 5% on Sept 6, noting the economy had entered a period of weaker growth, but said it could raise borrowing costs again should inflationary pressures persist. The Governing Council will make its next policy announcement on Oct. 25, when it also updates its economic forecasts. Deputy Governor Nicolas Vincent, speaking to Montreal's Chamber of Commerce, said price increases coming out of the pandemic had been both more frequent and larger than usual.

Lilly eyes targeted cancer therapies with \$1.4 billion Point Biopharma deal

Eli Lilly will buy Point Biopharma Global for \$1.4 billion, the companies said, gaining access to experimental therapies that enable precise targeting of cancer. Lilly has offered \$12.50 per

Point Biopharma share held, representing a premium of about 87% to the stock's last close. Analysts see no regulatory risk since the companies are not developing any overlapping therapies. Lilly will also get access to Point Biopharma's Indianapolis manufacturing plant for radiopharmaceuticals.

Panama to withdraw proposed contract for Canadian miner First Quantum's unit

Panama's government authorized on Tuesday the withdrawal of a proposed contract to regulate operations of Canadian miner First Quantum's local unit, Minera Panama, from Congress to make changes requested by lawmakers. "We hope to work together with the company Minera Panama to agree on the phrasing needed to resolve the points indicated by the assembly's trade committee," the presidency said in a post on social media X.

Canada's Brookfield buys UK firm Banks Group's renewable energy unit

Canadian investment firm Brookfield is

buying the renewable energy division of Banks Group, the UK-based firm, whose businesses also include mining and transport, said. The Financial Times, which first reported the news, said the deal was worth about \$1 billion, citing people with knowledge of the matter. The Banks Renewables unit operates 11 onshore wind farms across Scotland and the north of England and has other projects for solar and wind in development.

Canadian National Railway system failure halts Toronto-area commuter trains

A network-wide system failure at Canadian National Railway has affected rail corridors and forced Toronto-area commuter trains to be halted, Ontario regional transit operator Metrolinx said. "There is a CN networkwide system failure that is affecting all of our rail corridors. Trains will continue to hold at the nearest stations," Go Transit parent Metrolinx said in a statement. Metrolinx said it was working with CN to resolve the issue, and that it was recommending passengers take alternative travel options.

WEALTH NEWS

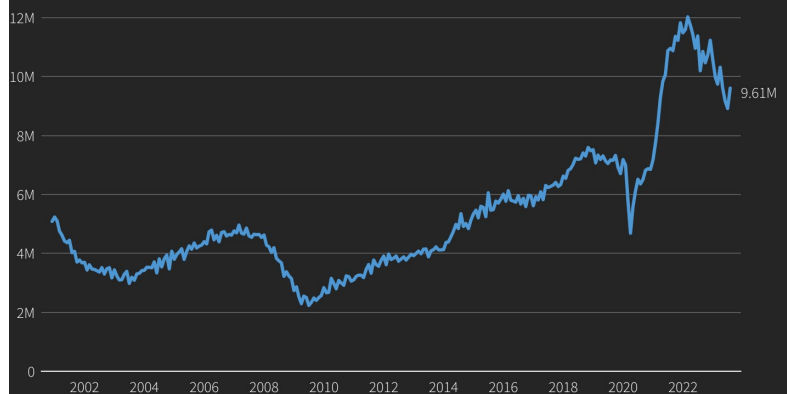
ECONOMIC NEWS

US job openings post largest increase in two years; quits rate unchanged

U.S. job openings unexpectedly increased in August amid a surge in demand for workers in the professional and business services sector, pointing to a still-tight labor market that could compel the Federal Reserve to raise interest rates next month. The jump reported by the Labor Department in its Job Openings and Labor Turnover Survey, or JOLTS report, snapped three straight monthly declines in job openings. There were 1.5 job openings for every unemployed person in August and the quits rate was unchanged. Job openings, a measure of labor demand, were up 690,000 to 9.610 million on the last day of August. The job openings rate increased to 5.8% from 5.4% in July. Hiring increased by only 35,000 to 5.857 million, indicating that worker shortages was a major constrain. The report showed layoffs dipping 1,000 to 1.680 million, keeping the layoffs rate at 1.1%. Quits rose 19,000 to 3.638 million, ending two consecutive months of decreases.

US job openings

The number of job openings increased to 9.6 million in August.



Data are seasonally adjusted. Farm jobs are excluded. Published October 3, 2023 at 2:37 PM GMT
Sources: Bureau of Labor Statistics, LSEG

FED COMMENTS

Fed's Bostic sees no 'urgency' to raise rates again, but cuts a long way off

With the U.S. economy slowing and inflation falling, there is no urgency for the Federal Reserve to raise its policy interest rate again, but it will likely be "a long time" before rate cuts are appropriate, Atlanta Federal Reserve president Raphael Bostic said.

COLUMN

Bonds eye Q4 salvation in another year to forget: McGeever

Stick it out, double down, or cut your losses? This is the dilemma many fund managers are facing regarding the bond portion of their portfolio as the final quarter of a potentially historic year for U.S. Treasuries gets underway.

CONSUMER FINANCIAL LAWS

US Supreme Court appears wary in case targeting consumer financial watchdog

U.S. Supreme Court justices appeared skeptical of the payday lending industry's challenge to the Consumer Financial Protection Bureau's funding structure in a case that President Joe Biden's administration has said imperils an agency set up to curb predatory lending after the 2008 global financial crisis.

COLUMN

US oil producers reprieved by Saudi output cut: Kemp

U.S. crude oil production increased again in July and neared the pre-pandemic record, showing output has remained more resilient than expected in the face of a steep downturn in drilling.

GRAPHIC

Tech giants' market cap dips on rising bond yields, AI caution

Global technology giants faced the biggest drop in their market capitalization in September, hit by a rise in U.S. bond yields and waning enthusiasm over artificial intelligence (AI).

GRAPHIC

The crypto market still bears the scars of FTX's collapse

The global cryptocurrency market remains badly scarred following the tumultuous collapse of crypto exchange FTX and other big players last year, with crypto prices, volumes and venture capital investment well below their 2021 peaks.



Former U.S. President Donald Trump attends the trial of himself, his adult sons, the Trump Organization and others in a civil fraud case brought by state Attorney General Letitia James, at a Manhattan courthouse, in New York City, October 3. REUTERS/Shannon Stapleton/Pool

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For questions or comments about this report, email us at: TheDay.Ahead@thomsonreuters.com.

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