

MORNING NEWS CALL

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U.S. Edition

Friday, September 10, 2021

TOP NEWS

• **Wide-ranging SolarWinds probe sparks fear in Corporate America**

A U.S. Securities and Exchange Commission investigation into the SolarWinds Russian hacking operation has dozens of corporate executives fearful information unearthed in the expanding probe will expose them to liability, according to six people familiar with the inquiry.

• **Apple rebuffs Epic request to restore Fortnite developer account in South Korea**

Apple rejected on Thursday a request by "Fortnite" creator Epic Games to restore its account on the iPhone maker's iOS platform in South Korea to add its own payment option, in their latest tussle over app development fees.

• **U.S. DOJ looking into conduct of Allianz fund managers**

The U.S. Department of Justice (DOJ) investigation into German insurer Allianz is looking at possible misconduct by fund managers and misrepresentation of risk to investors, three people with knowledge of the matter told Reuters.

• **U.S. probing 18 airlines over delayed refund complaints**

The U.S. Transportation Department said on Thursday it has 18 pending investigations against airlines over complaints that they failed to provide timely refunds during the COVID-19 pandemic.

• **China tells delivery, ride-hailing firms to better protect workers**

Chinese government officials, in the latest show of regulatory vigor, told leading delivery and ride-hailing companies to improve how they distributed incomes and ensure rest periods for workers.

BEFORE THE BELL

U.S. stock index futures were higher, mirroring **global shares**, as news of a call between Joe Biden and Xi Jinping offered some relief to investors expecting cautious central bank steps towards ending stimulus. Japan's **Topix** index touched its best level since 1990 on hopes of a new government and further improvement in earnings. The **dollar index** was little changed, while **gold** prices edged lower. **Oil** gained, supported by growing signs of supply tightness in the U.S. Producer prices and wholesale inventories data are on the economic calendar.

STOCKS TO WATCH

Results

• **Affirm Holdings Inc:** The company beat Wall Street estimates for quarterly sales on Thursday, helped by a growth in volumes of goods sold through its buy now, pay later (BNPL) platform, coupled with a rise in the number of merchants and active consumers. The company's gross merchandise volume rose 106% to \$2.5 billion during the quarter. Total revenue rose to \$261.8 million during the fourth quarter ended June 30, from \$153.3 million, a year earlier. Analysts on average had expected revenue of about \$225 million.

Deals Of The Day

• **Rice Acquisition Corp:** The blank-check firm said its planned \$1.15 billion merger with **Aria Energy** and **Archaea Energy** was approved by its stockholders on Thursday, that will create the largest public renewable gas company in the United States. The deal with Aria and Archaea, expected to close on or around Sept. 15, creates a platform focused on the capture and conversion of waste emissions from landfills into low-carbon RNG, electricity, and green hydrogen, Rice Acquisition said. Upon deal closure, the combined company will be named Archaea Energy Inc and will be listed on the New York Stock Exchange under the ticker symbol "LFG".



In Other News

- **Alphabet Inc:** Indian conglomerate Reliance Industries delayed the launch of a low-cost smartphone it is developing with Google to November, citing an industry-wide semiconductor shortage. The "ultra-affordable" smartphone, developed jointly by Reliance's telecom arm and Google, was set to be rolled out from Sept. 10. "Both the companies have begun testing JioPhone Next with a limited set of users for further refinement and are actively working to make it available more widely in time for the Diwali festive season," Jio said in an exchange filing late on Thursday.
- **Amgen Inc:** Lung cancer patients in England will become the first in Europe to receive a drug made by the U.S. biotech that targets a specific gene mutation, the country's health service said. NHS England said it was fast-tracking lung cancer drug sotorasib after it was shown in clinical trials to stop lung cancer progression for seven months. The early-access deal will see 600 patients a year receive sotorasib in England through the state-run National Health Service (NHS).
- **Apple Inc:** The company rejected on Thursday a request by "Fortnite" creator Epic Games to restore its account on the iPhone maker's iOS platform in South Korea to add its own payment option, in their latest tussle over app development fees. Their battle pivoted to South Korea last week when its parliament approved a bill that bans major app store operators, including Apple, from forcing software developers to use their payment systems, effectively stopping them from charging commission on in-app purchases. The legislation is expected to go into effect on around Sept 15.
- **BioNTech SE:** The company is set to request approval across the globe for use of its COVID-19 vaccine in children as young as five over the next few weeks and preparations for a launch are well on track, two of the biotech firm's top executives told Der Spiegel. "Already over the next few weeks we will file the results of our trial in five to 11 year-olds with regulators across the world and will request approval of the vaccine in this age group, also here in Europe," Chief Medical Officer Oezlem Tuereci told the weekly magazine. BioNTech has said it expected to file its regulatory dossier on the five to 11 year olds in September. It has also laid out plans to seek approval in children aged 6 months to 2 years later this year.
- **DoorDash Inc & Uber Technologies Inc:** DoorDash, Uber Eats and Grubhub have sued New York City over a legislation to license food-delivery apps and to permanently cap commissions they can charge restaurants. The three food-delivery companies filed a lawsuit in federal court in New York late on Thursday. The companies are seeking an injunction that would prevent New York from enforcing the fee-cap ordinance adopted last month, as well as unspecified monetary damages and a jury trial. "Those permanent price controls will harm not only Plaintiffs, but also the revitalization of the very local restaurants that the City claims to serve," the companies said in the lawsuit filed on Thursday.
- **Endo International Plc:** The drugmaker on Thursday said it has agreed to pay \$50 million to resolve lawsuits by New York state and two of its largest counties related to the sale and marketing of opioids. Endo said the settlement includes no admission of wrongdoing by Endo or its subsidiaries. "While litigation of the remaining opioid claims is ongoing, Endo is focused on its primary goal of achieving a global settlement," the company said. "Endo is also currently exploring other strategic alternatives and may seek to implement one or more of those alternatives in the event it is unable to achieve a global settlement."
- **Exxon Mobil Corp:** The U.S. Energy Department said on Thursday it has approved a second loan of 1.5 million barrels of oil to Exxon Mobil from the Strategic Petroleum Reserve (SPR) after damage from Hurricane Ida devastated offshore oil production. "The SPR's ability to conduct exchanges is a critical tool available to refiners to strengthen the fuel supply chain and mitigate disruptions following emergencies, like Hurricane Ida," the department said on its website after authorizing the additional loan to Exxon's Baton Rouge refinery. The Energy Department has now authorized loans totaling 3.3 million barrels to help refiners cope with the dearth of oil coming from the U.S. Gulf.
- **General Motors Co:** The company will give its best-selling Chevrolet Silverado large pickup truck models a makeover next spring to fix competitive shortcomings that have left Chevy in third place in one of the most lucrative vehicle market segments in the world. Chevrolet also will add a 420-horsepower Silverado ZR2 designed for rugged off-road adventures - or to give the appearance that the owner would have them. The Silverado ZR2 will chase Ford's F-series Raptor and the Ram TRX from Stellantis, which are attention-getting performance models for those brands.
- **Sea Ltd:** The Singapore-based gaming and e-commerce company said late on Thursday it has raised about \$6 billion in an equity and convertible bond sale, making it Southeast Asia's largest fund raising according to Refinitiv data. The company priced 11 million American Depositary Receipts at \$318 each, together with \$2.5 billion

aggregate principal amount of its 0.25% convertible senior notes due 2026. "The reason for this fund raising could be an early indication that the gaming business is no longer capable of funding the e-commerce and fintech growth," Lightstream Research analyst Oshadhi Kumarasiri said.

• **Sinovac Biotech Ltd:** The company is in talks about setting up a vaccine production facility in South Africa with its local partner, the chief executive of Numolux said. Hilton Klein made the comments at the launch of the South African leg of a global Phase III trial of Sinovac's COVID-19 vaccine in children and adolescents. "This clinical trial is a precursor to the establishment of a South African vaccine manufacturing facility partnered by Sinovac and Numolux Group that will cover the entire spectrum of vaccinations beyond just the COVID-19 response," Klein told a news conference.

• **Toyota Motor Corp:** The company cut its annual production target by 300,000 vehicles as rising COVID-19 infections slowed output at parts factories in Vietnam and Malaysia, compounding a global shortage of auto chips. "It's a combination of the coronavirus and semiconductors, but at the moment it is the coronavirus that is having the overwhelming impact," Kazunari Kumakura, an executive at the world's biggest car maker, said after the company revised its production target. Toyota now expects to build 9 million vehicles in the year to March 31, rather than 9.3 million. It did not revise its 2.5 trillion yen (\$22.7 billion) operating profit forecast for the business year.

• **Wells Fargo & Co:** A top U.S. banking regulator fined Wells Fargo \$250 million and placed new restrictions on the bank's business after finding shortcomings in its earlier efforts to pay back customers it had previously harmed. The Office of the Comptroller of the Currency said the bank had not met the requirements of a 2018 consent order, when the regulator ordered the bank to pay back customers who were charged excessive or improper fees. "Wells Fargo has not met the requirements of the OCC's 2018 action against the bank. This is unacceptable," said acting Comptroller Michael Hsu.

COLUMN

Markets fear a different 'delta': Mike Dolan

With one eye on the economic disruption from COVID-19's Delta variant, financial markets are just as concerned about a different "delta": the ebbing rate of global credit creation.

ANALYSTS' RECOMMENDATION

• **Affirm Holdings Inc:** RBC raises target price to \$130 from \$124 after the company reported better than expected fourth-quarter revenue.

• **Danaher Corp:** Credit Suisse raises target price to \$370 from \$306 as the company continues to enhance its exposure to faster-growing end-markets through both organic growth and M&A.

• **Editas Medicine Inc:** Oppenheimer raises rating to outperform from perform, saying the cell medicine franchise and in vivo programs beyond ophthalmology offer upside in the longer term.

• **Quest Diagnostics Inc:** Citigroup raises target price to \$181 from \$158 to reflect incremental COVID-19 testing above prior assumptions.

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

0830 (approx.) **PPI Machine Manufacturing** for Aug: Prior 149.4
 0830 (approx.) **PPI final demand yy** for Aug: Expected 8.2%; Prior 7.8%
 0830 (approx.) **PPI final demand mm** for Aug: Expected 0.6%; Prior 1.0%
 0830 (approx.) **PPI ex-food/energy yy** for Aug: Expected 6.6%; Prior 6.2%
 0830 (approx.) **PPI ex-food/energy mm** for Aug: Expected 0.5%; Prior 1.0%
 0830 (approx.) **PPI ex-food/energy/transport yy** for Aug: Prior 6.1%
 0830 (approx.) **PPI ex-food/energy/transport mm** for Aug: Prior 0.9%
 1000 (approx.) **Wholesale inventory, R mm** for July: Expected 0.6%; Prior 0.6%
 1000 (approx.) **Wholesale sales mm** for July: Expected 1.0%; Prior 2.0%

COMPANIES REPORTING RESULTS

Kroger Co: Expected Q2 earnings of 64 cents per share

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

0800 **BeyondSpring Inc:** Q2 earnings conference call

0800 **UP Fintech Holding Ltd:** Q2 earnings conference call

1000 **Kroger Co:** Q2 earnings conference call

1100 **Tilray Inc:** Shareholders Meeting

1830 **NetApp Inc:** Annual Shareholders Meeting

EX-DIVIDENDS

Devon Energy Corp: Amount \$0.11

Hewlett Packard Enterprise Co: Amount \$0.12

ITT Inc: Amount \$0.22

Kansas City Southern: Amount \$0.54

Spirit AeroSystems Holdings Inc: Amount \$0.01

UnitedHealth Group Inc: Amount \$1.45

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

PICTURE OF THE DAY



A person stands in the rain with a red rose at the 9/11 Memorial ahead of the 20th anniversary of the September 11 attacks in Manhattan, New York City, September 9. REUTERS/Andrew Kelly

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