

MORNING NEWS CALL

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U.S. Edition

Thursday, September 30, 2021

REUTERS WEALTH NEWSMAKER

with Philipp Rickenbacher,
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04 October, 14:00-15:00 CEST



TOP NEWS

- **Democratic disagreements imperil Biden agenda as shutdown looms**

President Joe Biden's agenda was at risk of being derailed by divisions among his own Democrats, as moderates voiced anger on Wednesday at the idea of delaying a \$1 trillion infrastructure bill ahead of a critical vote to avert a government shutdown.

- **Facebook could face hefty fine in Russia over banned content, report says**

Russia may try to fine social media giant Facebook 10% of its annual Russian turnover for a repeated failure to delete content Moscow deems illegal, the Vedomosti daily reported, as Russia ups the ante in its standoff with Big Tech.

- **Pandemic recovery fuels deal craze as third-quarter M&A breaks all records**

Global mergers and acquisitions hit new record highs in the third quarter as companies and investors shaped their post-COVID future through transformative deals while their advisers struggled to cope with transaction volumes never seen before.

- **U.S., EU agree to work on chip supplies, tech rules, China trade**

The United States and European Union agreed on Wednesday to deepen transatlantic cooperation to strengthen semiconductor supply chains, curb China's non-market trade practices and take a more unified approach to regulating big, global technology firms.

- **Merck to buy Accelaron for about \$11.5 bln in rare disease drugs push**

Merck will buy drugmaker Accelaron Pharma for about \$11.5 billion, the companies said, as the U.S. pharmaceutical giant looks to beef up its portfolio with drugs for rare diseases.

BEFORE THE BELL

U.S. stock index futures rose as U.S. lawmakers continue to wrangle over funding the government but face a Friday deadline to prevent a shutdown. **European stocks** continued their rebound but were set for monthly declines on worries about a slowing global economy and higher inflation while **Asian shares** were lower amid COVID-19 worries across Southeast Asia. **Gold** prices were higher as the prospect of the U.S. Federal Reserve tapering its pandemic-era stimulus strengthened the **dollar**, making bullion more expensive for holders of other currencies. **Oil** prices held steady as selling prompted by an unexpected rise in U.S. inventories eased.

STOCKS TO WATCH

IPOs

• **Claire's Inc:** The jewelry and accessories retailer backed by Goldman Sachs filed for an initial public offering in the United States on Wednesday, more than four years after scrapping its listing plans. Private equity giant Apollo Global took Claire's private following a more than \$3 billion deal in 2007. Claire's previously filed for an IPO in 2013, only to scrap the listing plans in 2017. The jewelry retailer is also backed by affiliates of JPMorgan and billionaire Paul Singer's hedge fund Elliott Management Corp.

Deals Of The Day

• **Apollo Global Management Inc:** The U.S. private equity firm said funds managed by its affiliates will buy **Mitsubishi Chemical's** thermal and emission control protection materials business. The deal, which is expected to close by March 2022, marks Apollo's second private equity fund investment in Japan, it said in a statement. Mitsubishi Chemical said in a separate statement that the transfer price is \$759 million.

• **Cabot Oil & Gas Corp & Cimarex Energy Co:** Shareholders of Cabot Oil & Gas and Cimarex Energy on Wednesday approved the proposed merger between the two companies to form one of the largest U.S oil and gas firms. The merger, which was announced in May and pegged the enterprise value of the combined entity at about \$17 billion, brings together Cabot's gas-rich Marcellus shale positions in the U.S. northeast and Cimarex's oil-heavy acres in West Texas, unlike most recent oil and gas deals that have been between companies with overlapping footprints. Cimarex shareholders will receive 4.0146 shares of Cabot common stock for each share held. The deal is expected to close in the fourth quarter of 2021, after which Cimarex shareholders would own 50.5% of the combined entity and Cabot shareholders the rest.

• **Merck & Co & Acceleron Pharma Inc:** Merck will buy the drugmaker for about \$11.5 billion, the companies said, as the U.S. pharmaceutical giant looks to beef up its portfolio with drugs for rare diseases. Merck will pay \$180 per Acceleron share in cash, representing a premium of about 2.6% to the stock's closing price on Wednesday, according to Refinitiv data. The company is developing Sotatercept, which is currently in a late-stage study, to treat a rare cardiovascular disease called pulmonary arterial hypertension (PAH), a type of high blood pressure that affects the lungs. Along with Sotatercept, Merck will gain access to Reblozyl, which is approved for the treatment of two blood-related disorders, including anemia in patients with beta thalassemia. The transaction is expected to close in the fourth quarter.

In Other News

• **Amazon.com Inc:** The company and the U.S. National Labor Relations Board (NLRB) said on Wednesday the company had reached a settlement with two former employees who alleged they were fired last year for criticizing the working conditions at the e-commerce giant's warehouses. Amazon had terminated the employment of Emily Cunningham and Maren Costa, who had accused the company of enforcing policies in a discriminatory fashion and instituting rules that "chill and restrain" the staff from exercising rights, according to their charge filed in October. The NLRB found in April that Amazon illegally fired them after they advocated for better working conditions during the pandemic. "Amazon will be required to pay us our lost wages and post a notice to all of its tech and warehouse workers nationwide that Amazon can't fire workers for organizing and exercising their rights," Cunningham and Costa said in a joint statement on Wednesday.

• **Capital Senior Living Corp:** Invictus Global Management, a large shareholder in Capital Senior Living, is ready to offer alternative financing to the company's proposed fund-raising plans, two sources close to the credit fund said on Wednesday. Invictus, an Austin-based firm that specializes in debt financing, is the latest Capital Senior Living shareholder to offer cash in order to help scuttle the company's plans to raise capital through a private placement of convertible preferred stock to Conversant Capital. The sources said Invictus' proposal would provide the company with \$150 million in capital at a lower cost than its current plan but did not provide details.

• **Chesapeake Energy Corp:** The U.S. shale producer is preparing to name long-time finance chief Domenic Dell'Osso Jr. as its next top executive, according to three people familiar with the matter. Dell'Osso, who has been with the company since 2008, would replace board chairman Mike Wichterich, who became interim CEO after ousting former chief Doug Lawler in April, the people said.

• **Facebook Inc:** Russia may try to fine social media giant Facebook 10% of its annual Russian turnover for a repeated failure to delete content Moscow deems illegal, the Vedomosti daily reported, as Russia ups the ante in its standoff with Big Tech. Separately, Facebook, under criticism over internal data showing its Instagram app damaged the mental health of teenagers, plans to highlight during a U.S. Senate hearing on Thursday what it argues were more positive impacts, according to the company's prepared testimony seen by Reuters.

• **Olaplex Holdings Inc:** The hair products maker Olaplex fetched a valuation of more than \$13.6 billion in an upsized initial public offering after pricing shares at \$21 apiece, the Advent International-owned company said. The Santa Barbara, California-based company said it offered 73.7 million shares, raising about \$1.55 billion. It had earlier planned to sell 67 million shares in the price range between \$17 and \$19 each.

• **Virgin Galactic Holdings Inc:** The U.S. Federal Aviation Administration (FAA) on Wednesday said it closed its mishap investigation into the July 11 Virgin Galactic Unity 22 launch, which deviated from assigned airspace on descent, and lifted a grounding order the regulator imposed earlier. The FAA said Virgin Galactic had implemented changes the agency required on how it communicates during flight and that the company will be allowed to resume operations.

ANALYSIS

Growth funds among Q3 winners for U.S. investors as COVID worries grew

U.S. mid-cap growth funds, emerging market stocks and inflation-protected bonds were among the winners for U.S. investors in a turbulent third quarter that saw the benchmark S&P 500 hit a record high only to tumble at the end of September as rising Treasury yields and debt negotiations in Washington weighed on investor sentiment.

ANALYSTS' RECOMMENDATION

• **Ares Management Corp:** Jefferies raises price target to \$86 from \$82, noting that business trends remain strong if not robust, with an increasingly diverse platform driving management's confidence.

• **Cintas Corp:** Credit Suisse raises price target to \$385 from \$375, after the company reported solid first-quarter results that beat wall street estimates.

• **G1 Therapeutics Inc:** JPMorgan lowers rating to Neutral from Overweight and cuts price target to \$20 from \$24, stating the company does not have any game-changing clinical catalysts scheduled for the next year and a poor outlook for 'Cosela' sales in the third quarter.

• **Generac Holdings Inc:** Canaccord Genuity raises price target to \$515 from \$500, after the company launched an ecosystem of hardware and software products, shifting to an energy solutions company to enable the energy demands of customers.

• **Tyson Foods Inc:** JPMorgan raises price target \$84 from \$79, following continued strength in industry beef spreads, better efficiencies and potentially cheaper feed costs that increase the likelihood of better chicken margins in 2022.

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

0830 (approx.) **Corporate profits revised** for Q2 : Prior 9.7%

0830 (approx.) **GDP final** for Q2 : Expected 6.6%; Prior 6.6%

0830 (approx.) **GDP sales final** for Q2 : Prior 7.9%

0830 (approx.) **GDP cons spending final** for Q2 : Prior 11.9%

0830 (approx.) **GDP deflator final** for Q2 : Expected 6.1%; Prior 6.2%

0830 (approx.) **Core PCE prices final** for Q2 : Expected 6.1%; Prior 6.1%

0830 (approx.) **PCE prices final** for Q2 : Prior 6.5%

0830 **Initial jobless claims** : Expected 335,000; Prior 351,000

0830 **Jobless claims 4-week average** : Prior 335,750

0830 **Continued jobless claims** : Expected 2.800 mln; Prior 2.845 mln

0945 (approx.) **Chicago PMI for Sep** : Expected 65.0; Prior 66.8

COMPANIES REPORTING RESULTS

Carmax Inc: Expected Q2 earnings of \$1.90 per share

McCormick & Company Inc: Expected Q3 earnings of 72 cents per share

Paychex Inc: Expected Q1 earnings of 80 cents per share

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

0800 **McCormick & Company Inc:** Q3 earnings conference call
0815 **Bed Bath & Beyond Inc:** Q2 earnings conference call
0900 **Carmax Inc:** Q2 earnings conference call
0930 **Paychex Inc:** Q1 earnings conference call
1000 **John Wiley & Sons Inc:** Annual Shareholders Meeting
1030 **United Therapeutics Corp:** Shareholders Meeting
1200 **Stamps.Com Inc:** Annual Shareholders Meeting
1300 **Welbilt Inc:** Shareholders Meeting
1800 **Five9 Inc:** Shareholders Meeting

EX-DIVIDENDS

Air Products and Chemicals Inc: Amount \$1.50
Andersons Inc: Amount \$0.17
Bristol-Myers Squibb Co: Amount \$0.49
Cardinal Health Inc: Amount \$0.49
Choice Hotels International Inc: Amount \$0.22
CTS Corp: Amount \$0.04
CubeSmart: Amount \$0.34
Encompass Health Corp: Amount \$0.28
Encore Wire Corp: Amount \$0.02
Enerpac Tool Group Corp: Amount \$0.04
ESCO Technologies Inc: Amount \$0.08
Franchise Group Inc: Amount \$0.37
Fulton Financial Corp: Amount \$0.14
Hannon Armstrong Sustainable Infrastructure Capital Inc: Amount \$0.35
Keurig Dr Pepper Inc: Amount \$0.18
Micron Technology Inc: Amount \$0.10
Pegasystems Inc: Amount \$0.03
Quanta Services Inc: Amount \$0.06
Raymond James Financial Inc: Amount \$0.26
Realty Income Corp: Amount \$0.23
Regal Beloit Corporation: Amount \$0.33
Republic Services Inc: Amount \$0.46
Retail Properties of America Inc: Amount \$0.07
Royal Gold Inc: Amount \$0.30
ServisFirst Bancshares Inc: Amount \$0.20
State Street Corp: Amount \$0.57
Sysco Corp: Amount \$0.47
Terreno Realty Corp: Amount \$0.34
Trinseo SA: Amount \$0.32
Two Harbors Investment Corp: Amount \$0.17
Ventas Inc: Amount \$0.45
Wolverine World Wide Inc: Amount \$0.10

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

PICTURE OF THE DAY



U.S. President Joe Biden speaks with members of the Republicans team as he attends the annual Congressional Baseball Game at Nationals Park in Washington, September 29. REUTERS/Kevin Lamarque

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