

MORNING NEWS CALL

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Canada Edition

Monday, September 19, 2022

TOP NEWS

• **Hot core: Canada may need a recession to cool down inflation**

The underlying pressures driving inflation in Canada are likely to peak in the fourth quarter of this year, economists told Reuters, though most see signs fast rising prices are becoming entrenched and warn a recession may be needed to avoid a spiral.

• **Fed prepares to update racing odds as inflation bucks the reins**

The Federal Reserve, after chasing inflation for the better part of a year, will look ahead as far as 2025 in new projections this week that will show more fully the depth and length of the economic "pain" its policymakers expect to be needed to stop the current surge in prices.

• **Big U.S. bank CEOs to be grilled by Congress on consumer, social issues**

The chief executives of JPMorgan, Bank of America, Citigroup, Wells Fargo and other major U.S. retail banks will be grilled this week by lawmakers on a slew of issues, from the state of the economy to their stances on hot-button issues including abortion and fossil-fuel lending.

• **Canada's D&D cuts buyout offer for Australia's Link under regulator probe**

Canadian legal software maker Dye & Durham (D&D) cut a fifth from an already-agreed buyout price for Australian rival Link Administration Holdings due to regulatory concerns, putting the long-running deal talks into doubt.

• **Canadian pension fund OTPP to buy 30% stake in India's Mahindra renewables assets**

Canadian pension fund Ontario Teachers' Pension Plan has agreed to buy a 30% stake for \$297.5 million in Indian automaker Mahindra's renewable power assets, an exchange filing showed.

BEFORE THE BELL

Futures for **Canada's main stock index** fell, tracking a decline in **Wall Street futures** as investors braced for aggressive interest rate hikes by the U.S. Federal Reserve and other central banks this week in an effort to tame high inflation. **Shares** in **Europe** and **Asia** also slipped on rate hike worries. **Oil** dipped, pressured by expectations of weaker global demand. **Gold** prices fell on a firmer **U.S. dollar**. **Bitcoin**, meanwhile, dropped below \$19,000 as investors globally turned shy on risky assets. Producer prices data is due later in the day.

STOCKS TO WATCH

• **Dye & Durham Ltd:** The Canadian legal software maker cut a fifth from an already-agreed buyout price for Australian rival Link Administration Holdings due to regulatory concerns, putting the long-running deal talks into doubt. A month after the target company's shareholders backed an already-lowered A\$2.47 billion cash sale to D&D, the Canadians said they now wanted to pay just A\$1.95 billion, up front, citing a regulator probe in Britain which may leave Link forced to pay \$349.91 million in redress. Link said it could not recommend the latest version of the offer, and that it planned to "evaluate alternatives for the business" if it fell through entirely. In a statement, D&D said it wanted to cut the cash offer price by the maximum amount of compensation that it would have to pay the fund's investors, then pay the rest later if there was no payout. "Our revised proposal ensures Link Group shareholders receive the same economic value as our earlier offer, while taking into account the impact of the potential ... liability," said D&D CEO Matthew Proud.

• **Loop Energy Inc:** The hydrogen fuel cell maker said on Sunday that its latest cell system can deliver better fuel economy than a diesel engine at current price levels. The Burnaby, British Columbia-based company said that - based on a pan-European diesel cost of \$1.91 per litre on Sept. 5 and \$10 per kg of hydrogen - a truck could travel just over 111 miles on \$100 worth of fuel using its new S1200 hydrogen fuel cell system versus a little over 109 miles for an equivalent diesel truck. "This brings the future forward," Loop Energy Chief Executive Ben Nyland told

Reuters. "This product delivers the economics that are needed for adoption today." Nyland said that Loop Energy aims to provide the fuel cell system to startup truck makers and as part of hydrogen powertrains provided to big truck makers by major suppliers.

GRAPHIC

Fed dataflow: Summer data trove gave little clarity

Federal Reserve officials convene on Tuesday for their next policy meeting after an unusually long eight-week break since their last gathering, and a larger-than-normal amount of U.S. economic data to review.

ANALYSTS' RECOMMENDATION

• **Aurora Cannabis Inc:** CIBC cuts target price to C\$2.5 from C\$3.75, to reflect the company's recent equity raise, which put significant pressure on the stock.

• **Enerflex Ltd:** RBC raises target price to C\$12 from C\$11, saying the company's acquisition of Exterran represents a step-change in its strategy to grow its asset infrastructure business.

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

0830 **Producer prices mm** for Aug: Prior -2.1%

0830 **Producer prices yy** for Aug: Prior 11.9%

0830 **Raw materials prices mm** for Aug: Prior -7.4%

0830 **Raw materials prices yy** for Aug: Prior 19.1%

COMPANIES REPORTING RESULTS

September 19:

No major companies are scheduled to report for the day.

September 20:

Aurora Cannabis Inc: Expected Q4 loss of 18 Canadian cents per share

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

1100 **GCM Mining Corp:** Shareholders Meeting

1300 **Aris Gold Corp:** Shareholders Meeting

EX-DIVIDENDS

Cargojet Inc: Amount C\$0.28

Constellation Software Inc: Amount \$1.00

Neo Performance Materials Inc: Amount C\$0.10

Olympia Financial Group Inc: Amount C\$0.27

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

PICTURE OF THE DAY



Shoppers walk past a five-meter-high image of Queen Elizabeth II, painted by billboard artist Gilbert Burch in 1979, at CF Polo Park in Winnipeg, Manitoba, September 17. REUTERS/Shannon VanRaes

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