

MORNING NEWS CALL

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U.S. Edition

Friday, February 5, 2021

TOP NEWS

• U.S. Senate passes budget plan to advance Biden's \$1.9 trillion COVID aid package

President Joe Biden's drive to enact a \$1.9 trillion coronavirus aid bill gained momentum early on Friday as the U.S. Senate narrowly approved a budget blueprint allowing Democrats to push the legislation through Congress in coming weeks with or without Republican support.

• U.S. employment growth likely rebounded; more government money still needed

U.S. job growth likely rebounded in January as authorities began easing COVID-19 restrictions on businesses with the ebbing pace of infections, which could offer the strongest signal yet that the worst of the labor market turmoil was behind after the economy shed jobs in December.

• Regeneron quarterly profit beats on strong drug sales

Regeneron reported a fourth-quarter profit that beat analysts' estimates, benefiting from a recovery in demand for its flagship eye drug and a jump in sales of its eczema drug.

• Pfizer drops India vaccine application after regulator seeks local trial

Pfizer said it had withdrawn an application for emergency-use authorization of its COVID-19 vaccine in India, after failing to meet the drug regulator's demand for a local safety and immunogenicity study.

• Investors flock to \$5 billion Alibaba bond deal, shrug off regulatory woes

Alibaba Group's \$5 billion U.S.-dollar bond offering received demand for eight times the debt offered, underscoring global investors' faith in founder Jack Ma's e-commerce behemoth despite a regulatory crackdown on his empire.

BEFORE THE BELL

U.S. stock index futures edged higher as investors closely monitored for signs of progress on a pandemic-relief package, while also awaiting non-farm payrolls data, which is due for release later during the day. **European stocks** rose on hopes of a faster global economic turnaround, while **Asian equities** ended in the green. The **dollar** inched lower, while **gold** prices gained. **Oil** prices hit its highest level in a year on demand recovery hopes and supply cuts by OPEC and its allies.

STOCKS TO WATCH

Results

• **Activision Blizzard Inc:** The company on Thursday forecast full-year adjusted revenue above analysts' estimates, driven by strong demand for the latest installment of its blockbuster "Call of Duty" franchise from gamers staying at home during the COVID-19 pandemic. The company expects full-year adjusted sales to be \$8.45 billion, above Wall Street's average estimate of \$8.31 billion. The company also forecast first-quarter adjusted revenue to be \$1.75 billion, above analysts' average estimate of \$1.67 billion. Fourth-quarter net income fell to \$508 million, or 65 cents per share, from \$525 million, or 68 cents per share, a year earlier.

• **Ford Motor Co:** The carmaker on Thursday more than doubled the amount of money it plans to invest on electric and autonomous vehicles, to \$29 billion, even as it posted a fourth-quarter net loss of \$2.8 billion. For 2020, Ford reported a net loss of \$1.3 billion. It had previously said it expected a full-year profit of between \$600 million and \$1.1 billion. Excluding the charges, Ford's operating profit was 34 cents a share, easily topping the 7-cent loss analysts polled by Refinitiv had expected. The Dearborn, Michigan-based company projected operating earnings would climb to \$8 billion to \$9 billion in 2021, compared with \$2.8 billion last year. In COVID-19 pandemic-ravaged 2020, Ford's total revenue fell to \$127 billion, from \$156 billion in 2019. Ford ended the quarter with nearly \$31 billion in cash and \$47 billion of liquidity, compared with almost \$30 billion and more than \$45 billion respectively in the prior quarter.



- Gilead Sciences Inc:** The company on Thursday forecast its 2021 results above Wall Street estimates after posting a 26% rise in fourth-quarter 2020 revenue, driven by sales of its antiviral drug, remdesivir, which is used to treat COVID-19 patients. It expects a gradual recovery in underlying market dynamics starting the second quarter of this year. For 2021, the California-based company projected an adjusted earnings range with a midpoint of \$7.10 per share, on product sales with a midpoint of \$24.4 billion, ahead of respective Wall Street estimates of \$6.85 per share and \$24.27 billion. He said Gilead projected 2021 operating expenses at less than analysts have estimated. The company's fourth-quarter revenue totaled \$7.42 billion, beating the average analyst estimate of \$7.33 billion. Adjusted quarterly earnings of \$2.19 were ahead of Wall Street expectations of \$2.15 per share.
- Liberty Oilfield Services Inc:** The company on Thursday posted a smaller-than-expected loss and said it expects the hydraulic fracking market to be flat to slightly up this year, as demand starts to rise following a pandemic-induced slump in drilling activity. Liberty said it expects to maintain about 30 active hydraulic frac fleets in the first quarter of 2021, with the possibility of adding more later in the year if economic conditions improve. The company's active frac fleets rose 68% in the fourth quarter from the third. On an adjusted basis, the company posted a loss of 23 cents per share, smaller than analysts' average estimate of a loss of 35 cents per share.
- Linde PLC:** U.S.-German industrial gas producer beat expectations with fourth quarter earnings and said it was targeting a 11-13% rise in adjusted earnings per share in 2021 irrespective of economic conditions. The company said its fourth-quarter adjusted earnings per share were \$2.30, above the \$2.14 expected on average by analysts according to a Refinitiv poll. Linde also reported a 12% rise in adjusted EPS for 2020, citing price increases and productivity gains, and forecast first-quarter EPS growth of 16% to 19%. "I have confidence in our ability to grow EPS double-digit percent irrespective of the macro environment while also leveraging any economic recovery," Chief Executive Steve Angel said.
- Peloton Interactive Inc:** The company forecast lower-than-expected quarterly core earnings on Thursday as it grapples with logistics issues following a surge in demand for its exercise bikes and treadmills during the pandemic, sending its shares down. To address the situation, Peloton plans to invest \$100 million in air freight and expedited ocean freight over the next six months. Those costs and higher research spending are expected to hurt its core earnings in the quarter. Peloton's operating expenses in the latest quarter also surged 41.5% to \$366 million. Still, the company beat Wall Street estimates for second-quarter earnings and raised its full-year sales forecast. The company's total revenue rose 128% to \$1.06 billion, above analysts' expectations of \$1.03 billion. Peloton also expects full-year revenue of \$4.075 billion or more, compared with its previous estimate of at least \$3.9 billion.
- Pinterest Inc:** Image-sharing company Pinterest reported better-than-expected quarterly results on Thursday, benefiting from strong user growth and heavy advertising by e-commerce retailers during the holiday season. The shift to virtual interactions has also increased engagement on social media platforms, with Pinterest's monthly active users jumping 37% to 459 million in the fourth quarter. The company's revenue from the United States, its biggest market, surged 67% to \$582 million. Total revenue soared 76% to \$706 million, beating analysts' estimates of \$645.6 million. Excluding items, Pinterest earned 43 cents per share, more than estimates of 32 cents per share.
- Prudential Financial Inc:** The company beat analysts' estimates for quarterly adjusted profit on Thursday as the strong performance of the U.S. life insurer's asset management arm cushioned the hit from coronavirus-related claims. The company's total after-tax adjusted operating income rose to \$1.18 billion, or \$2.93 per share, in the fourth quarter ended Dec. 31, from \$915 million, or \$2.24 per share, a year earlier. Analysts had expected a profit of \$2.57 per share.
- Regeneron Pharmaceuticals Inc:** The company reported a fourth-quarter profit that beat analysts' estimates, benefiting from a recovery in demand for its flagship eye drug and a jump in sales of its eczema drug. As lockdowns eased, U.S. sales of the drug rose nearly 10% to \$1.34 billion for the quarter. Sales from eczema drug Dupixent, which are recorded by Regeneron partner Sanofi SASY.PA, were \$1.17 billion, compared to \$751.5 million a year earlier. Regeneron earned \$9.53 per share on an adjusted basis, beating estimates of \$8.39 per share, according to Refinitiv IBES data.
- Snap Inc:** The company on Thursday warned that upcoming privacy changes by Apple could hurt Snap's ad business although user growth and revenue beat analysts' fourth-quarter estimates. Apple's planned changes, to ask iPhone users for consent to track their data for personalized ads, could present a "risk" to advertiser demand, Snap said, but added it was unclear how that could affect business in the long-run. Snap's daily active users (DAUs), rose 22% year-over-year to 265 million in the fourth quarter ended Dec. 31. The app made the biggest gains outside North America and Europe, with 55% growth in daily active users. Snap's net loss narrowed to \$113 million, or 8 cents per share, from \$240.7 million, or 17 cents per share, a year earlier. The company forecast first-

quarter daily active users would grow 20% year over year to 275 million, and revenue of \$720 million to \$740 million.

• **T-Mobile US Inc:** The company said on Thursday it added more monthly bill-paying phone subscribers than analysts had expected in the fourth quarter, as the pandemic-induced remote working trend spurred demand for its phone and internet services. The wireless carrier's postpaid subscriber base rose by 824,000 in the quarter, above FactSet estimates of 768,200. T-Mobile expects 2021 postpaid net customer additions to be between 4 million and 4.7 million. Total revenue rose to \$20.34 billion in the quarter ended Dec. 31, from \$11.88 billion a year earlier, and was more than estimates of \$19.93 billion.

Deals Of The Day

• **Magnite Inc:** U.S. advertising platform Magnite has agreed to buy video advertising group SpotX from European broadcaster RTL Group for \$1.17 billion, it said, aiming to create a leading interactive advertising platform. The purchase price comprises \$560 million in cash and 14 million shares of Magnite stock, RTL said. The combination of Magnite and SpotX will bring together the best CTV technologies and teams at a critical time, Magnite Chief Executive Michael Barrett in a statement. RTL Group acquired a 65% majority shareholding in SpotX for 107 million euros (\$127.97 million) in 2014, and took full ownership of SpotX in 2017, acquiring the remaining shareholding for 123 million euros.

In Other News

• **Alibaba Group Holding Ltd:** The company's \$5 billion U.S.-dollar bond offering received demand for eight times the debt offered, underscoring global investors' faith in founder Jack Ma's e-commerce behemoth despite a regulatory crackdown on his empire. Several sovereign wealth funds were among the buyers, along with high profile U.S. long-only funds, a person with direct knowledge of the deal told Reuters, adding demand was "extremely strong" across the various maturity-tranches. Investor response to the deal was seen as a sentiment test towards Alibaba amid regulatory heat for billionaire Ma's business empire, triggered by a speech in late October in which he publicly criticised the country's regulatory system. Alibaba had flagged it would use the money to help pay down offshore debt and fund future potential acquisitions and investments in "complementary businesses".

• **Alphabet Inc:** Tech giant Google launched a platform in Australia offering news it has paid for, striking its own content deals with publishers in a drive to show legislation proposed by Canberra to enforce payments, a world first, is unnecessary. The tech firm, still lobbying the Australian government in private meetings, has previously said the legislation was "unworkable" and would force it to pull out of the country altogether if implemented. Google said in a statement it looked forward to striking agreements with more Australian publishers, whose position has been bolstered by Canberra's aggressive push back against Facebook and Google.

• **Amazon Inc:** The company brought a little cheer to Britain's pandemic- battered labour market, saying it will recruit more than 1,000 apprentices in 2021. Britain's unemployment rate hit 5% in November, its highest since mid-2016, according to official data. The retail sector has been particularly badly hit by the coronavirus crisis. Amazon said the apprenticeships will cover 25 different programmes ranging from IT, safety technician and human resources through to robotics, software engineering and creative digital design. Amazon says it has invested 23 billion pounds in the United Kingdom since 2010 but does not break down that figure between capital expenditure and operating costs.

• **Antara Capital:** A blank-check firm, backed by former New York Yankees slugger Alex Rodriguez and hedge fund Antara Capital, is aiming to raise about \$500 million in its initial public offering (IPO), a regulatory filing showed on Thursday. Slam Corp, a special purpose acquisition company (SPAC), said it would sell 50 million units, comprising shares and warrants, priced at \$10 apiece in the IPO. Slam Corp is backed by Rodriguez's A-Rod Corp, which invests in startups and other companies. Slam Corp said its Class A ordinary shares and warrants, comprising the units, will begin separate trading on Nasdaq under the symbols "SLAM" and "SLAMW".

• **AstraZeneca PLC:** British regulators have received extra trial data from the company that supports their view that the COVID-19 vaccine developed with Oxford University is effective in the elderly, a vaccines official said. Britain has been rolling out the shot among all age groups after the Medicines and Healthcare products Regulatory Agency (MHRA) was the first regulator to approve it in December, but some other European countries have said more data is needed before it is given to those over 65. Munir Pirmohamed, Chair of the Commission on Human Medicines' COVID-19 Vaccines Benefit Risk Expert Working Group said British regulators had noticed the smaller number of under-65s in the data when they approved the vaccine.

• **Chevron Corp & Noble Midstream Partners LP:** The oil major said it had offered to buy Noble Midstream in a deal valuing the company at \$1.13 billion, months after the U.S. oil major bought the pipeline operator's sponsor

Noble Energy. Chevron in October closed a \$4.1 billion all-stock purchase of oil and gas producer Noble Energy, gaining a majority stake in the pipeline business Noble Midstream alongside large shale and international natural gas reserves. The company said it has offered to buy the rest of Noble Midstream at \$12.47 per common unit, the same price Noble's shares ended on Thursday.

- **Exxon Mobil Corp:** Activist investor Jeff Ubben is being considered for a board seat at Exxon Mobil, Bloomberg News reported on Thursday, citing people familiar with the matter. Ubben's investment firm Inclusive Capital Partners is also discussing taking a stake in the U.S. oil producer if he was appointed to the board, according to the report. Ubben's talks with the board are going well and he has already won the support of shareholders, including D.E. Shaw & Co., the report said. Exxon's board is still deliberating and a decision on whether to appoint Ubben could be made in the coming weeks, it added.

- **GameStop Inc:** Deep-pocketed investors pumped a record \$4.2 billion into big technology stocks last week, BofA's flow data showed, taking advantage of the slight pullback on Wall Street while retail traders were busy buying stocks such as GameStop. An army of retail investors went toe-to-toe with Wall Street professionals last month by buying into stocks that were heavily shorted by hedge funds. In the tussle, some funds had to sell out of their long positions to cover the losses, causing wider falls in stock prices. Big Tech has been one of the biggest winners of the pandemic, with revenues turbocharged by stay-at-home rules and increased interest from investors who are taking advantage of the cheap money available. In separate news, The U.S. Securities and Exchange Commission (SEC) is looking at every aspect of and parties involved in the "Reddit rally" of GameStop and other stocks, said two people familiar with the matter, suggesting a swath of industry participants may be swept up in the regulator's review of the trading frenzy.

- **Johnson & Johnson:** The company said on Thursday it has asked U.S. health regulators to authorize its single-dose COVID-19 vaccine for emergency use, and it will apply to European authorities in coming weeks. Unlike the two currently authorized vaccines from Pfizer/BioNTech SE and Moderna, J&J's does not require a second shot or need to be shipped frozen. J&J said it had rolling submissions with several global health agencies and would submit a Conditional Marketing Authorization Application with the European Medicines Agency in the coming weeks. The company said it has doses ready for delivery upon emergency approval. It aims to deliver 1 billion doses in 2021 with production in the United States, Europe, South Africa and India.

- **KKR & Co Inc:** A blank-check company backed by private equity firm KKR & Co is aiming to raise about \$1 billion in its initial public offering (IPO), a regulatory filing showed on Thursday. The company, KKR Acquisition Holdings I Corp, said it would sell 100 million units, comprising shares and warrants, priced at \$10 apiece, in what could be one of the biggest IPOs by a special purpose acquisition company (SPAC) so far in 2021. The blank-check firm said it plans to list its units on the New York Stock Exchange under the symbol "KAHC". Citigroup is the sole bookrunner for the offering.

- **Moderna Inc:** South Korea and COVID-19 vaccine maker Moderna are in discussions over a \$200 million investment by the U.S. drugmaker to build a vaccine manufacturing factory in the country, a former government minister who was involved in the talks said. Park Young-sun, who stepped down last month as minister for SMEs and Startups to run for Seoul mayor, made the comments in an interview with the Asia Business Daily. She also said Moderna was highly interested in the Asian market, according to the report. Her campaign official confirmed the report to Reuters. The campaign official also told Reuters the factory will likely be built in the capital Seoul. It has yet to be decided when and by how much the plant will be able to produce vaccines, the official said.

- **PayPal Holdings Inc:** The company will wind down its domestic payments business in India from April 1, the company said in a statement. San Jose, California-based PayPal will instead focus on its cross-border payments business, which means global customers will still be able to pay Indian merchants using the service. PayPal was a payments options on many Indian online apps such as travel and ticketing service MakeMy Trip, online film booking app BookMyShow and food delivery app Swiggy.

- **Pfizer Inc:** The company has withdrawn an application for emergency-use authorization of its COVID-19 vaccine in India that it has developed with Germany's BioNTech, the company told Reuters. The U.S. company, which was the first drugmaker to apply for emergency use authorization of its COVID-19 vaccine in India, had a meeting with the country's drugs regulator on Wednesday and the decision was made after that, the company said. India's Central Drugs Standard Control Organisation had declined to accept Pfizer's request for approval without a small local trial on the vaccine's safety and immunogenicity for Indians, Reuters has reported. Indian health officials say they generally ask for so-called bridging trials to determine if a vaccine is safe and generates an immune response in its citizens whose genetic makeup can be different from people in Western nations. There are, however, provisions under India's New Drugs and Clinical Trial Rules, 2019, to waive such trials in certain conditions. Pfizer earlier told Reuters its application was supported by data from a global study that showed an overall efficacy rate of 95% with no vaccine-related, serious safety concerns.

• **Sea Ltd:** Southeast Asia technology group Sea's shopping arm Shopee has apologised over an online advertisement in Indonesia that ignited uproar on social media for mocking victims of sexual harassment and abuse. On a popular Indonesian gossip account on Instagram, the paid post appeared to imitate women warning about the dangers of dating apps, using screenshots to make it appear to be a real discussion. Using the format and portraying predatory male behaviour, one slide featured a man sending a woman a message, that turned out to be a Shopee advertisement. Shopee Indonesia director Handhika Jahja said the advertisement has since been removed and the mistake would not be repeated. The commercial was slammed online, with social media users saying it belittled and undermined victims of sexual abuse and harassment, many of whom are afraid to speak out.

FOCUS

One U.S. company's risky effort to build a new mask factory during COVID

Dan Izhaky is betting \$4 million that the pandemic will change what Americans are willing to pay for high quality face masks from his new factory here in this suburb of Los Angeles. Izhaky is president of United Safety Technology, a startup that is poised to open a new N95 mask factory possibly within weeks.

ANALYSTS' RECOMMENDATION

- **Ford Motor Co:** RBC raises target price to \$13 from \$10, citing the company's continued investments in electric and autonomous vehicles segment as well as higher earnings per share estimate for 2021.
- **Gilead Sciences Inc:** Jefferies raises target price to \$84 from \$75, stating the company's better-than-expected earnings forecast for 2021 and efficient cost management.
- **Philip Morris International Inc:** Cowen and Company raises target price to \$96 from \$92, noting the company's improved operating margin expansion in 2020 and increased earnings per share guidance for 2021.
- **Pinterest Inc:** Baird raises target price to \$90 from \$80, stating the company's robust sales growth in its fourth quarter and higher advertising revenue.
- **Tapestry Inc:** JPMorgan raises target price to \$46 from \$40, citing the company's higher second-quarter profit and improved revenue growth forecast.

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

0830 (approx.) **Non-farm payrolls** for Jan: Expected 50,000; Prior -140,000
 0830 (approx.) **Private payrolls** for Jan: Expected 50,000; Prior -95,000
 0830 (approx.) **Manufacturing payrolls** for Jan: Expected 30,000; Prior 38,000
 0830 (approx.) **Government payrolls** for Jan: Prior -45,000
 0830 (approx.) **Unemployment rate** for Jan: Expected 6.7%; Prior 6.7%
 0830 (approx.) **Average earnings mm** for Jan: Expected 0.3%; Prior 0.8%
 0830 (approx.) **Average earnings yy** for Jan: Expected 5.1%; Prior 5.1%
 0830 (approx.) **Average workweek hours** for Jan: Expected 34.7 hrs; Prior 34.7 hrs
 0830 (approx.) **Labor force participation** for Jan: Prior 61.5%
 0830 (approx.) **U6 underemployment** for Jan: Prior 11.7%
 0830 (approx.) **International trade** for Dec: Expected -\$65.7 bln; Prior -\$68.1 bln
 0830 (approx.) **Goods trade balance (R)** for Dec: Prior -\$82.47 bln
 0830 (approx.) **Payrolls benchmark NSA rev** for 2020: Prior -173,000
 0830 (approx.) **Payrolls benchmark SA** for 2020: Prior -514,000
 1500 **Consumer credit** for Dec: Expected \$12.00 bln; Prior \$15.27 bln

COMPANIES REPORTING RESULTS

Cardinal Health Inc: Expected Q2 earnings of \$1.44 per share
Cboe Global Markets Inc: Expected Q4 earnings of \$1.23 per share
Illinois Tool Works Inc: Expected Q4 earnings of \$1.79 per share
Trane Technologies PLC: Expected Q4 earnings of 92 cents per share

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

0800 **Unum Group**: Q4 earnings conference call
0830 **Aon PLC**: Q4 earnings conference call
0830 **Cardinal Health Inc**: Q2 earnings conference call
0830 **Cboe Global Markets Inc**: Q4 earnings conference call
0830 **Hill-Rom Holdings Inc**: Q1 earnings conference call
0830 **Regeneron Pharmaceuticals Inc**: Q4 earnings conference call
0830 **Zimmer Biomet Holdings Inc**: Q4 earnings conference call
0900 **Hartford Financial Services Group Inc**: Q4 earnings conference call
0900 **Post Holdings Inc**: Q1 earnings conference call
0930 **Estee Lauder Companies Inc**: Q2 earnings conference call
1000 **Berry Global Group Inc**: Q1 earnings conference call
1000 **Linde PLC**: Q4 earnings conference call
1000 **Omega Healthcare Investors Inc**: Q4 earnings conference call
1100 **Illinois Tool Works Inc**: Q4 earnings conference call
1100 **Nov Inc**: Q4 earnings conference call
1100 **Prudential Financial Inc**: Q4 earnings conference call

EX-DIVIDENDS

American Water Works Company Inc: Amount \$0.55
Blackstone Group Inc: Amount \$0.96
Omega Healthcare Investors Inc: Amount \$0.67
W W Grainger Inc: Amount \$1.53

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

PICTURE OF THE DAY



U.S. House Majority Leader Steny Hoyer (D-MD) mimics holding a gun next to an enlarged Tweet as he speaks during debate ahead of a House of Representatives vote on a Democratic-backed resolution that would punish Republican congresswoman Marjorie Taylor Greene, in this frame grab from video shot inside the House Chamber of the Capitol in Washington, February 4. House TV via REUTERS

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(Compiled by Pranay Prakash and Siddharth Athreya V in Bengaluru)

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 3 Times Square, New York, NY 10036

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