

MORNING NEWS CALL

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U.S. Edition

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TOP NEWS

• **Tesla cancels three June online hiring events for China**

Tesla has cancelled three online recruitment events for China scheduled this month, the latest development after Chief Executive Elon Musk threatened job cuts at the electric car maker, saying it was "overstaffed" in some areas.

• **ANALYSIS - Global investment banking faces tougher times after blockbuster year**

A dearth of IPOs, a plunge in stock prices and slowing global economic growth are clouding the outlook for revenue at global investment banks after pandemic spending by governments and central banks fueled a blockbuster 2021.

• **UK plans to probe Apple, Google's mobile browser dominance**

Britain's competition watchdog said it was planning to investigate the market dominance of Apple and Google's mobile browsers, as well as the iPhone maker's restrictions on cloud gaming through its app store.

• **Amazon to pull out of high-stakes bidding battle for India cricket rights**

U.S. tech behemoth Amazon will not bid for rights to telecast India's premier league cricket, projected to be worth more than \$6.4 billion, a source with knowledge of the company's plans said.

• **POLL - No respite from Fed rate hikes this year, chances rising of four 50 bps in a row**

The U.S. Federal Reserve will hike its key interest rate by 50 basis points in June and July, with rising chances of a similar move in September, according to a Reuters poll of economists who see no pause in rate rises until next year.

BEFORE THE BELL

U.S. stock index futures fell, mirroring **global stocks** in anticipation of U.S. data that will likely show heightened inflationary pressures. **Gold** edged down, as the **dollar** and **Treasury yields** rose. **Oil** prices were up supported by solid fuel demand in the United States.

STOCKS TO WATCH

• **Advanced Micro Devices Inc:** The company's Chief Executive Officer Lisa Su on Thursday flagged a slowdown in personal computers (PC) this year after two years of a "very strong PC market". Su, at the chip company's analyst day, said while the downturn was natural after a long period of high, the market for high performance and adaptive computing was "great". PC shipments underwent a third consecutive quarter of decline. AMD said on Thursday it has seen a "tremendous" increase in demand for its cloud computing, data center chips and those used in artificial intelligence applications. It expects gross margin of over 57% in the near future and an operating margin in the mid 30% range. In the first quarter, the company reported a gross margin of 48% and operating margin of 16%.

• **Alphabet Inc & Apple Inc:** Britain's competition watchdog said it was planning to investigate the market dominance of Apple and Google's mobile browsers as well as the iPhone maker's restrictions on cloud gaming through its app store. The Competition and Markets Authority said it was also taking enforcement action against Google over its app store payment practices. It said the two tech giants had an "effective duopoly" on mobile ecosystems that gave them a stranglehold on operating systems, app stores and web browsers on mobile devices. "We respectfully disagree with a number of conclusions reached in the report, which discount our investments in innovation, privacy and user performance — all of which contribute to why users love iPhone and iPad and create a level playing field for small developers to compete on a trusted platform," an Apple spokesperson said. The CMA said its proposed investigation would further assess its concerns and could result in legally binding orders requiring changes to be made to Apple's and Google's practices.



• **Amazon.com Inc:** The U.S. tech behemoth will not bid for rights to telecast India's premier league cricket, projected to be worth more than \$6.4 billion, a source with knowledge of the company's plans said. The decision comes just two days ahead of the bidding for the television and digital broadcast rights of the hugely popular Indian Premier League, a two-month tournament that usually takes place every April and May. Amazon had decided not to participate in the bidding as the company did not find it a viable option for growth in India, said the source, who sought anonymity as they were not authorised to speak to media on the issue. The withdrawal leaves an open field for rivals such as Reliance Industries, which will bid through its broadcasting joint venture Viacom 18, Disney Plus Hotstar, and the India unit of Sony Corp when bidding takes place on Sunday.

• **Blackstone Inc:** Australia's largest casino operator Crown Resorts Ltd said regulators in the state of Western Australia had cleared its \$6.3 billion buyout by private equity giant Blackstone, subject to several strict conditions. The approval follows nods from New South Wales and Victoria this week and clears another hurdle in Blackstone's path to closing its deal for the company 37% owned by billionaire James Packer. Crown has been under pressure for years since damaging inquiries found it enabled money laundering, while COVID-19 lockdowns and border closures battered its profit and shares. The deal now awaits approval from Australia's federal court at a hearing on June 15.

• **Bluebird Bio Inc:** Advisers to the U.S. Food and Drug Administration on Thursday voted to recommend approval of bluebird's treatment for a rare neurological disorder, bringing it closer to becoming the third gene therapy to be available in the United States. All 15 committee members voted unanimously that the benefits of eli-cel for treatment of cerebral adrenoleukodystrophy (CALD) in patients below 18 years who do not have a matched sibling for stem cell transplant, outweigh its risks. The decision on eli-cel is a big boost for the company after it had in March flagged "going concern" doubts following regulatory setbacks. "Even with the problems that exist for this treatment, it certainly shows significant benefit that boys (who suffer from CALD) right now can't wait on a better more perfect treatment," said committee member Dr. Stephanie Keller. The panel will again convene on Friday to discuss bluebird's other gene therapy beti-cel for the treatment of Beta-thalassemia patients dependent on blood transfusions.

• **McDonald's Corp:** Sunday marks a new dawn for Russia's fast-food lovers as former McDonald's restaurants reopen under new branding and ownership, more than three decades after the arrival of the hugely popular Western fast food chain. The relaunch will begin on Russia Day, a patriotic holiday celebrating the country's independence, at the same flagship location in Moscow's Pushkin Square where McDonald's first opened in Russia in January 1990. The brand's exit is now a powerful symbol of how Russia and the West are once again turning their backs on each other. McDonald's iconic 'Golden Arches' have been taken down at sites in Moscow and St Petersburg, where they will make way for a new logo comprising two fries and a hamburger patty against a green background. The reopening will initially cover 15 locations in Moscow and the surrounding region. The new chain's name remains a closely guarded secret.

• **Nio Inc:** Chinese electric-car maker Nio said that in 2024 it will start making high-voltage battery packs that it has developed itself, as part of a drive to improve profitability and competitiveness to take on rivals such as Tesla. Nio, plans to start producing an 800-volt battery pack in the second half of 2024, its chairman William Li told analysts on a call on Thursday. Most electric vehicles operate with 400-volt batteries while Porsche's Taycan electric cars are powered by 800-volt lithium-ion battery packs, which recharge faster. Li said Nio - which has over 400 employees working on the research and development of battery technologies - also plans to use a combination of self-produced and externally sourced batteries in the long run, a plan similar to Tesla's. The company said on Thursday its net loss narrowed to 1.8 billion yuan in the first quarter from 4.9 billion a year earlier.

• **Rogers Communications Inc & Shaw Communications Inc:** Canada's anti-trust regulator wants to speed up its case against Rogers Communications' \$15.8 billion purchase of Shaw Communications with a process that would schedule a dispute hearing in five to six months. A spokesperson for the Competition Bureau Canada told Reuters on Thursday the competition commissioner wants to follow an expedited process. The competition tribunal's website says this would mean a hearing in five to six months. Ordinarily that period is about a year. Rogers and the bureau could work towards a settlement even if the matter proceeds to the tribunal. Rogers has offered to sell Shaw's Freedom mobile unit to allay competition concerns, but the bureau has said that is not sufficient. Even with an expedited timeline, the dispute increases uncertainty about the acquisition, which has a July 31 closing. One alternative would be for Rogers and Shaw to agree to extend the closing date.

• **Telefonaktiebolaget LM Ericsson:** Shares of the company fell as the chance of it suffering a higher fine increased with the U.S. Securities and Exchange Commission (SEC) starting a separate investigation into the company's handling of misconduct in Iraq. U.S. agencies investigated the company earlier, with the result that Ericsson had to pay a \$1 billion fine in 2019 as part of settlement of a bribery case. It also had to enter a deferred prosecution agreement (DPA). "We believe the combined penalty to be paid in this round of investigations is likely

to be somewhat higher than the previous one, in light of the repetitive misconduct, the breach of the DPA and the corruption being in Iraq," Jefferies analysts said in response to news that the SEC was investigating. The Department of Justice (DoJ) had already begun doing so. Analysts have said that, although any potential fine is likely priced into the shares, it does create an overhang until a settlement is reached.

• **Tesla Inc:** The company has cancelled three online recruitment events for China scheduled this month, the latest development after Chief Executive Elon Musk threatened job cuts at the electric car maker, saying it was "overstaffed" in some areas. The company cancelled the three events for positions in sales, R&D and its supply chain originally scheduled for June 16, 23 and 30, notifications on messaging app WeChat showed late on Thursday, without stating a reason. Notification of a June 9 event to recruit staff for "smart manufacturing" roles was not visible and it was not immediately clear it had been held as planned. The China operation is still allowing resume submission for more than 1,000 openings posted on the social media platform, such as aerodynamics engineers, supply chain managers, store managers, factory supervisors and workers. In another email to employees on Friday, Musk said Tesla would reduce salaried headcount by a tenth, as it had become "overstaffed in many areas", but added that hourly headcount would increase.

FOCUS

U.S. banks finally see upturn in credit-card borrowing

Big U.S. banks including JPMorgan and Citigroup appear set for some earnings boost from a pick-up in the battered credit-card business, but a possible recession would pull consumers back and bring losses on outstanding loans.

ANALYSTS' RECOMMENDATION

• **Cytokinetics Inc:** Piper Sandler raises target price to \$72 from \$50, citing the company's strong execution of several clinical programs that delivered positive results.

• **Diamondback Energy Inc:** Piper Sandler raises target price to \$196 from \$188, as the company reaffirmed its full-year 2022 capital budget.

• **Encompass Health Corp:** Stephens cuts target price to \$78 from \$82, after the company revised its 2022 guidance to reflect the latest business trends.

• **Spirit Airlines Inc:** JPMorgan raises rating to overweight from neutral, saying a merger between Spirit and JetBlue has a high probability outcome.

• **Vail Resorts Inc:** Credit Suisse raises target price to \$383 from \$379, following better-than-expected Q3 EBITDA.

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

0830 (approx.) **Core CPI mm, SA** for May: Expected 0.5%; Prior 0.6%

0830 (approx.) **Core CPI yy, NSA** for May: Expected 5.9%; Prior 6.2%

0830 (approx.) **CPI Index, NSA** for May: Expected 291.661; Prior 289.109

0830 (approx.) **Core CPI Index, SA** for May: Prior 290.46

0830 (approx.) **CPI mm, SA** for May: Expected 0.7%; Prior 0.3%

0830 (approx.) **CPI yy, NSA** for May: Expected 8.3%; Prior 8.3%

0830 (approx.) **Real weekly earnings mm** for May: Prior 0%

0830 (approx.) **CPI mm NSA** for May: Prior 0.56%

0830 (approx.) **CPI Index SA** for May: Prior 288.66

0830 (approx.) **CPI Wage Earner** for May: Prior 284.575

1000 **U Mich Sentiment Preliminary** for June: Expected 58; Prior 58.4

1000 **U Mich Conditions Preliminary** for June: Expected 62.5; Prior 63.3

1000 **U Mich Expectations Preliminary** for June: Expected 54.5; Prior 55.2

1000 (approx.) **U Mich 1-year inflation preliminary** for June: Prior 5.3%

1000 (approx.) **U Mich 5-year inflation preliminary** for June: Prior 3%

1100 (approx.) **Cleveland Fed CPI** for May: Prior 0.5%

1400 **Federal budget** for May: Expected -\$120 bln; Prior \$308 bln

COMPANIES REPORTING RESULTS

No major S&P 500 companies are scheduled to report.

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

0930 **American Equity Investment Life Holding Co**: Annual Shareholders Meeting
1000 **Amerisafe Inc**: Annual Shareholders Meeting
1000 **Constellium SE**: Annual Shareholders Meeting
1030 **Regeneron Pharmaceuticals Inc**: Annual Shareholders Meeting
1030 **Matador Resources Co**: Annual Shareholders Meeting
1100 **Iovance Biotherapeutics Inc**: Annual Shareholders Meeting
1100 **Silvergate Capital Corp**: Annual Shareholders Meeting
1100 **Blue Owl Capital Inc**: Annual Shareholders Meeting
1130 **Ligand Pharmaceuticals Inc**: Annual Shareholders Meeting
1200 **Encore Capital Group Inc**: Annual Shareholders Meeting
1200 **AppFolio Inc**: Annual Shareholders Meeting
1200 **Shift4 Payments Inc**: Annual Shareholders Meeting
1200 **Rackspace Technology Inc**: Annual Shareholders Meeting
1330 **Joby Aviation Inc**: Annual Shareholders Meeting
1400 **ManTech International Corp**: Annual Shareholders Meeting
1400 **Amphastar Pharmaceuticals Inc**: Annual Shareholders Meeting
1400 **Switch Inc**: Annual Shareholders Meeting
1400 **Revolve Group Inc**: Annual Shareholders Meeting
1400 **Ginkgo Bioworks Holdings Inc**: Annual Shareholders Meeting
1500 **Prospect Capital Corp**: Shareholders Meeting

EX-DIVIDENDS

Devon Energy Corp: Amount \$1.27
Hewlett Packard Enterprise Co: Amount \$0.12
SEI Investments Co: Amount \$0.40
Steven Madden Ltd: Amount \$0.21

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

PICTURE OF THE DAY



Members of the military stand next to a sign of the ninth Summit of the Americas, at a dinner in Malibu, near Los Angeles, California, June 9. REUTERS/Daniel Becerril

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