# MORNING NEWS CALL

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**U.S. Edition** Tuesday, June 13, 2023

## TOP NEWS

• **Bunge, Viterra in $18 billion merger to create agriculture trading powerhouse**
U.S. grains merchant Bunge and Glencore-backed Viterra are merging in an $18 billion deal including debt, the companies said, creating one of the world's largest agriculture trading firms.

• **Fed kicks off meeting-by-meeting policymaking amid high uncertainty**
Federal Reserve officials sit down Tuesday for their first meeting in 15 months with no pre-determined interest rate hike on the table in what amounts to the debut gathering of the "will-they-or-won't-they" era.

• **US FTC asks court to block Microsoft acquisition of Activision**
The Federal Trade Commission asked a court to temporarily block Microsoft's acquisition of Activision Blizzard on Monday, seeking to halt the deal from closing before the government's case against the $69 billion deal is heard.

• **US Senate leaders unveil $107 billion aviation policy bill**
Leaders of the Senate Commerce Committee on Monday introduced a bipartisan aviation policy bill that would boost runway safety, track high-altitude balloons and prohibit airlines from charging fees for families to sit together.

• **AMD likely to offer details on AI chip in challenge to Nvidia**
Advanced Micro Devices on Tuesday is expected to reveal new details about an AI "superchip" that analysts believe will be a strong challenger to Nvidia, whose chips dominate the fast-growing artificial intelligence market.

## BEFORE THE BELL

**U.S. stock index futures** edged higher ahead of key inflation data due later in the day that could shape the outlook for the Federal Reserve monetary policy. **European shares** rose, boosted by technology stocks. The **dollar** weakened, pushing **gold** prices up. Japan's **Nikkei** surged, closing over 33,000 for the first time in 33 years, on expectations of a flood of investment in chip-related companies. **China stocks** closed up after the Chinese central bank lowered a short-term policy lending rate in an effort to restore market confidence. **Oil** prices gained on apparent bargain hunting, recovering some ground from the previous day's plunge.

## STOCKS TO WATCH

***Results***

• **Oracle Corp**: The company on Monday topped fourth-quarter revenue estimates and forecast an upbeat first quarter, driven by growing demand for its cloud offerings from companies deploying AI. Oracle's revenue for the fourth quarter jumped about 17% to $13.84 billion, beating analysts' estimates of $13.74 billion, according to Refinitiv. Cloud revenue rose 54% to $4.4 billion. The company forecast its total revenue to rise 8% to 10% in the first quarter. Analysts on average were expecting growth of about 8%. Oracle expects cloud revenue, excluding Cerner, to grow at least at similar rates in fiscal 2024 as in 2023, Chief Executive Safra Catz said on a conference call with analysts.

***Deals Of The Day***

• **Brookfield Renewable Corp** & **Duke Energy Corp**: The energy company said on Monday it has agreed to sell its unregulated utility scale Commercial Renewables business to Brookfield Renewable in a deal valued at about $2.8 billion. Duke said it expects net proceeds of about $1.1 billion from the sale, which the company will use to help incorporate more than 30,000 megawatts of regulated renewable energy into its system by 2035. The proceeds are also expected to help strengthen its balance sheet, avoid additional debt and improve grid reliability. The deal is expected to close by the end of 2023, Duke said.

• **Bunge Ltd**: The U.S. grains merchant and Glencore-backed **Viterra** are merging in an $18 billion deal including debt, the companies said, creating one of the world's largest agriculture trading firms. The deal brings Bunge closer in global scale to leading rivals Archer-Daniels-Midland and Cargill and will be examined closely by antitrust regulators. Viterra shareholders will receive about 65.6 million shares of Bunge stock, carrying a value of about $6.2 billion, and about $2.0 billion in cash. Bunge will also assume $9.8 billion of Viterra's debt. Bunge will pay 75% of the deal with stock and 25% in cash, according to the statement. The merger is expected to close in mid-2024, subject to the satisfaction of customary closing conditions, and it is expected to generate about $250 million of annual gross pre-tax operational synergies within three years.

***In Other News***

• **Advanced Micro Devices Inc**: The company on Tuesday is expected to reveal new details about an AI "superchip" that analysts believe will be a strong challenger to Nvidia, whose chips dominate the fast-growing artificial intelligence market. AMD Chief Executive Lisa Su will give a keynote address at an event in San Francisco on the company's strategy in the data center and AI markets. Analysts expect fresh details about a chip called the MI300, AMD's most advanced graphics processing unit (GPU), the category of chips that companies like OpenAI use to develop products such as ChatGPT.

• **Alphabet Inc**: European Union antitrust regulators may order Google to sell a part of its advertising-technology business, a source with direct knowledge of the matter told Reuters on Monday. The EU's top antitrust watchdog, the European Commission, could issue a formal complaint against Google as early as Wednesday, the source said, further intensifying trans-Atlantic efforts to diminish the tech giant's dominance in digital ads. In 2022, the Commission launched an investigation into Google's sweeping presence at almost all levels of the supply chain for online display advertising, expressing concern about its dominant position.

• **Apollo Global Management Inc** & **Goldman Sachs Group Inc**: Investment firms Apollo Global Management, Sixth Street and Warburg Pincus are among the initial bidders for Goldman's GreenSky unit, Semafor reported on Monday citing people familiar with the matter. The bids, submitted on Friday, value GreenSky at "mid-nine figures", the report added. Separately, a former Goldman Sachs banker leaked details of potential corporate mergers to a friend who traded on the information, a prosecutor told a New York jury during opening arguments of a trial on Monday.

• **AstraZeneca Plc**: The drugmaker is switching to biogas produced from cow manure and food waste in the United States, it said, in a deal to cut its carbon emissions there. The Anglo-Swedish drugmaker said the long-term agreement with Massachusetts-based Vanguard Renewables would enable it to transition to biogas from natural gas and cut its emissions across its U.S. research and manufacturing sites. "Doing the right thing costs a little bit more, but it is not punitive," said Pascal Soriot, chief executive of AstraZeneca, which makes 26 medicines in the U.S.

• **Becton Dickinson and Co**: Jurors in an upcoming trial in the case of a man who said he suffered chronic pain and other injuries from hernia repair mesh made by the company's C.R. Bard unit will not be allowed to hear about a 2011 fire in one of the company's factories, a federal judge has ruled. U.S. District Judge Edmund Sargus in Columbus, Ohio said in a written order Monday that the mesh used in plaintiff Aaron Stinson's surgery did not come from the Puerto Rican factory, and in any case had been manufactured four years later. He said the federal rules of evidence did not allow Stinson to use evidence not directly related to his injury to try to prove a general pattern of unsafe conduct.

• **BlackRock Inc**: The fund manager launched the "Brown to Green Materials Fund" targeting undervalued carbon-intensive companies that produce the raw materials and products driving the energy transition. Growing demand for lithium, copper and other metals critical to the green energy transition is poised to benefit the earnings growth of companies throughout the supply chain from mine to end-product, should the adoption of lower carbon technologies exceed expectations, BlackRock said. Those companies that produce the materials and have a quality plan to decarbonise - and their suppliers - should re-rate as their margins get a boost and sustainability risks decrease, it said.

• **Harley-Davidson Inc**: The motorcycle maker said on Monday it will be running limited motorcycle manufacturing operations at its York facility after being notified of an issue with parts from a third-party supplier. The company said the issue was related to brake hose assemblies provided by a tier-2 supplier, Proterial Cable America, which is a portfolio company of Bain Capital. "We have a strong inventory position in the network to help us navigate through this situation," Harley-Davidson CEO Jochen Zeitz said.

• **HSBC Holdings Plc**: The bank has decided to wind down its wealth and personal banking business in New Zealand, HSBC said, as it exits from less profitable businesses globally to focus on expanding in certain Asian markets. The process, as a result of a strategic review, will happen over several years in a phased manner, it said in a statement. The London-headquartered lender can "no longer justify investing into this business given the changing operating requirements in the market and scalability of the business", it said.

• **JPMorgan Chase & Co**: The bank's Securities Services division is launching a sustainable investment data solutions initiative for institutional investors in a bid to make investments in ESG easier. One of the challenges the industry faces with environmental, social and corporate governance-related (ESG) investments is that there is only piecemeal data available and these gaps have made investments difficult, said Gerard Francis, head of data solutions at JPMorgan. "To use ESG related data at times it can take up to six to twelve months, however, we have standardized the data in a way that the same information can be used within hours," Francis said, adding that the new solution is cost effective and easy to use for investors.

• **Manchester United Plc**: The company's shares jumped in premarket trading after a report hinted that Qatar's Sheikh Jassim bin Hamad al-Thani was likely to succeed with his takeover bid for the English football club. Qatar's Al-Watan newspaper reported that Sheikh Jassim, son of a former prime minister of the country, was poised to be announced as the preferred bidder of the Premier League soccer club, CNBC said. UK's Daily Mail said last week that Sheikh Jassim had made a "fifth and final" offer of $6.28 billion after British billionaire Jim Ratcliffe's INEOS reportedly outbid him in April. The latest "deadline" to finalize Sheikh Jassim's offer ended on Friday, but no official announcements were made.

• **Microsoft Corp** & **Activision Blizzard Inc**: The Federal Trade Commission asked a court to temporarily block Microsoft's acquisition of Activision Blizzard on Monday, seeking to halt the deal from closing before the government's case against the $69 billion deal is heard. The FTC said Microsoft and Activision had signaled the deal could close as soon as Friday and asked a federal judge to block any final agreement before 11:59 p.m ET June 15.The FTC said the deal, which would be the largest for Microsoft and the largest in the history of the video game industry, would give Microsoft the "ability and increased incentive to withhold or degrade Activision's content in ways that substantially lessen competition." "We welcome the opportunity to present our case in federal court," said Microsoft president Brad Smith in a statement.

• **Netflix Inc**: The company is in talks to livestream a celebrity golf tournament featuring professional golfers and Formula One drivers, the Wall Street Journal reported on Monday, citing people familiar with the matter. The tournament will feature celebrities from "Drive to Survive", a docuseries about Formula One auto-racing, and "Full Swing", which followed professional golfers during the 2022 season, the report said. This would be Netflix's first sports livestreaming event if the deal fructifies. Discussions about the tournament, scheduled for this fall, are in the early stages, WSJ said.

• **Toyota Motor Corp**: The Japanese automaker will introduce high-performance, solid-state batteries and other technologies to improve the driving range and cut costs of future electric vehicles (EVs), Toyota said, a strategic pivot that sent its shares higher. Toyota said it aims to launch next-generation lithium-ion batteries from 2026 offering longer ranges and quicker charging. It also trumpeted a "technological breakthrough" that addresses durability problems in solid-state batteries and said it is developing means to mass produce those batteries, targeting commercialisation over 2027-2028. Meanwhile, Toyota faces an unprecedented challenge at its annual shareholder meeting on Wednesday, with some pension funds voting against Chairman Akio Toyoda on governance issues, while seeking more disclosures on the Japanese automaker's climate lobbying.

• **Uber Technologies Inc**: New Delhi city authorities will start impounding the bike taxis of companies such as Uber and local rival Ola if they do not cease operations in line with a court order backing a ban on them, a senior government official told Reuters. The government has argued that bike taxis violate local city laws that require them to have a licence to offer such services, while Uber argued in the Supreme Court that the ban hurts the livelihoods of its riders. Ashish Kundra, principal secretary and commissioner for transport in the Delhi government, said the companies should not chase profits and instead focus on passenger safety. "We will issue an advisory to companies asking them to respect the court order. If they fail to do that, we will start impounding vehicles," Kundra said.

## ANALYSIS

**Tesla taps brakes on job ads after Musk clamps down on hiring**

Tesla has tapped the brakes on aggressive job advertising in recent weeks since CEO Elon Musk directed executives to obtain his sign off on all new hires, a Reuters analysis shows.

## ANALYSTS' RECOMMENDATION

• **Adobe Inc**: JPMorgan raises target price to $450 from $380, based on the company's relatively de-risked outlook for FY23 revenue growth.

• **Catalent Inc**: RBC raises target price to $49 from $41, as the company delivered better-than-expected third-quarter results.

• **Exxon Mobil Corp**: Piper Sandler cuts target price to $127 from $145, reflecting the company's inability to execute on disposal targets aimed at de-leveraging the balance sheet.

• **Oracle Corp**: Jefferies raises target price to $135 from $125, following the company's strong fourth-quarter earnings.

• **Pennymac Financial Services Inc**: Piper Sandler raises target price to $89 from $82, saying the company's earnings outlook is set to improve benefitting from the recent banking crisis.

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

0830 **Core CPI mm SA** for May: Expected 0.4%; Prior 0.4%
0830 **Core CPI yy NSA** for May: Expected 5.3%; Prior 5.5%
0830 **CPI Index NSA** for May: Expected 304.063; Prior 303.363
0830 **Core CPI Index SA** for May: Prior 306.49
0830 **CPI mm SA** for May: Expected 0.2%; Prior 0.4%
0830 **CPI yy NSA** for May: Expected 4.1%; Prior 4.9%
0830 **Real weekly earnings mm** for May: Prior 0.1%
0830 **CPI mm NSA** for May: Prior 0.510%
0830 **CPI Index SA** for May: Prior 302.92
0830 **CPI wage earner** for May: Prior 297.73
1100 **Cleveland Federal CPI** for May: Prior 0.4%

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

0830 **Avangrid Inc**: Annual Shareholders Meeting
0830 **Yext Inc**: Annual Shareholders Meeting
0900 **Dollar Tree Inc**: Annual Shareholders Meeting
0900 **Five Below Inc**: Annual Shareholders Meeting
0900 **Virtu Financial Inc**: Annual Shareholders Meeting
1000 **Ameresco Inc**: Annual Shareholders Meeting
1000 **BioCryst Pharmaceuticals Inc**: Annual Shareholders Meeting
1000 **Roper Technologies Inc**: Annual Shareholders Meeting
1030 **Nextier Oilfield Solutions Inc**: Annual Shareholders Meeting
1100 **Appian Corp**: Annual Shareholders Meeting
1100 **Green Brick Partners Inc**: Annual Shareholders Meeting
1100 **MP Materials Corp**: Annual Shareholders Meeting
1100 **SeaWorld Entertainment Inc**: Annual Shareholders Meeting
1100 **Shockwave Medical Inc**: Annual Shareholders Meeting
1100 **Viking Therapeutics Inc**: Annual Shareholders Meeting
1130 **Informatica Inc**: Annual Shareholders Meeting
1130 **Vaxcyte Inc**: Annual Shareholders Meeting
1200 **Twilio Inc**: Annual Shareholders Meeting
1230 **Immunitybio Inc**: Annual Shareholders Meeting
1300 **Block Inc**: Annual Shareholders Meeting
1300 **PDF Solutions Inc**: Annual Shareholders Meeting
1300 **Redfin Corp**: Annual Shareholders Meeting
1300 **Rocket Companies Inc**: Annual Shareholders Meeting
1400 **NV5 Global Inc**: Annual Shareholders Meeting
1400 **OneMain Holdings Inc**: Annual Shareholders Meeting
1400 **Oxford Industries Inc**: Annual Shareholders Meeting
1400 **Pacira Biosciences Inc**: Annual Shareholders Meeting
1400 **PennyMac Financial Services Inc**: Annual Shareholders Meeting
1430 **Equity Commonwealth**: Annual Shareholders Meeting
1630 **Endeavor Group Holdings Inc**: Annual Shareholders Meeting

## EX-DIVIDENDS

**Ameren Corp**: Amount $0.63
**Ardagh Metal Packaging SA**: Amount $0.10
**Camping World Holdings Inc**: Amount $0.62
**FS KKR Capital Corp**: Amount $0.64
**HP Inc**: Amount $0.26
**International Seaways Inc**: Amount $0.12
**Lam Research Corp**: Amount $1.72
**New Jersey Resources Corp**: Amount $0.39
**Public Storage**: Amount $3.00
**Regency Centers Corp**: Amount $0.65
**Site Centers Corp**: Amount $0.13
**Steris plc**: Amount $0.47
**Winnebago Industries Inc**: Amount $0.27
**Wyndham Hotels & Resorts Inc**: Amount $0.35

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

## PICTURE OF THE DAY

*Hugo the English Bulldog stands in front of the U.S. Supreme Court as owner Lucy Mugford sits on the steps behind, in Washington, June 12. REUTERS/Kevin Lamarque*

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