MARKET RECAP at 4 pm ET

Alarmed by Iran's missile strikes on Israel, investors shunned riskier assets in favor of safe havens. This shift led to declines in **stocks** and **Treasury yields**, while **oil** prices surged due to supply concerns. Meanwhile, both **gold** and the **dollar** strengthened.

STOCKS	Close	Chng	% Chng	Yr-high	Yr-low
DJIA	42,156.97	-173.18	-0.41	42,628.32	37,122.95
Nasdaq	17,910.36	-278.81	-1.53	18,671.07	14,477.57
S&P 500	5,708.75	-53.73	-0.93	5,767.37	4,682.11
Toronto	24,033.99	33.62	0.14	24,107.00	18,692.06
FTSE	8,276.65	39.70	0.48	8,474.41	7,404.08
Eurofirst	2,061.79	-7.55	-0.36	2,091.63	1,839.45
Nikkei	38,651.97	732.42	1.93	42,426.77	31,156.12
Hang Seng	21,133.68	501.38	2.43	20,743.20	14,794.16

TREASURIES	Yield	Price
10-year	3.7391	17 /32
2-year	3.6125	2 /32
5-year	3.5154	9 /32
30-year	4.0770	32 /32

FOREX	Last	% Chng
Euro/Dollar	1.1068	-0.59
Dollar/Yen	143.53	-0.06
Sterling/Dollar	1.3281	-0.67
Dollar/CAD	1.3495	-0.21
USD/CNH (Offshore)	7.0290	0.34

COMMODITIES ($)	Price	Chng	% Chng
Front Month Crude /barrel	70.40	2.23	3.27
Spot gold (NY/oz)	2658.60	24.11	0.92
Copper U.S. (front month/lb)	4.52	0.0275	0.61
CRB Index Total Return	340.52	1.74	0.51

S&P 500	Price	$ Chng	% Chng
GAINERS			
Paychex Inc	140.79	6.60	4.92
APA Corp (US)	25.66	1.20	4.91
Conocophillips	109.38	4.10	3.89
LOSERS			
Humana Inc	279.42	-37.32	-11.78
ETSY Inc	52.30	-3.23	-5.82
Moderna Inc	63.93	-2.90	-4.34

Coming Up

A "Now Hiring" sign is reflected through the window of Intuition Career staffing agency in Greenville, Alabama, December 4, 2022. REUTERS/Cheney Orr

On the U.S. economic front, the **ADP National Employment Report** is scheduled to show that private employment probably increased by 120,000 in September, after advancing by 99,000 in the month before.

A host of U.S. Federal Reserve policymakers are due to speak at different events. St. Louis Fed President **Alberto Musalem** is set to give welcome remarks before the Community Banking Research Conference 2024: "Where Research and Policy Meet," co-sponsored by the Federal Reserve System, the Conference of State Bank Supervisors (CSBS) and the Federal Deposit Insurance Corporation in St. Louis, Missouri. At the same event, Fed Board Governor **Michelle Bowman** is scheduled to speak on "Building the Community Banking Framework for the Future." Richmond Fed President **Thomas Barkin** is due to speak on "Why Not Declare Victory?" before the 2024 WilmingtonBiz Conference and Expo in Wilmington, North Carolina. Cleveland Fed President **Beth Hammack** is set to give welcome

KEY ECONOMIC EVENTS

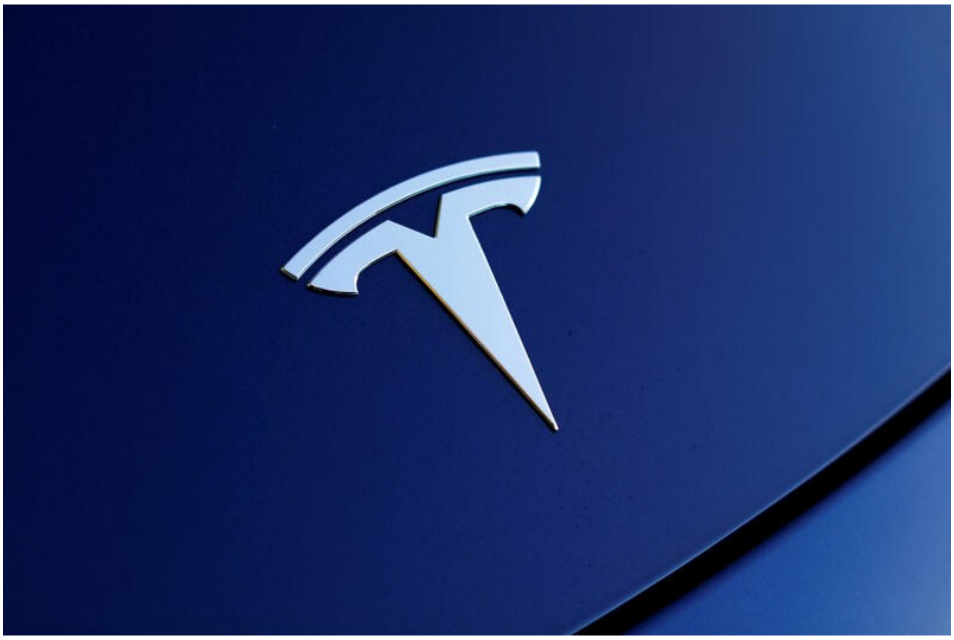
Events	ET	Poll	Prior
ADP national employment for Sep	0815	120,000	99,000
Overall Comprehensive Risk for Q4	1300	--	7.97

remarks before the 2024 Minorities in Banking Forum hosted by the Federal Reserve Bank of Cleveland in Cleveland, Ohio.

Tesla is expected to report a 7% growth in third-quarter deliveries, boosted by cheaper financing options and discounts on some vehicles.

Slim Jim beef jerky maker **Conagra Brands** is expected to post a decline in first-quarter revenue, hurt by weaker demand for its packaged meals and snacks. Investors will look out for comments on demand, pricing actions, impact of input costs and annual forecasts.

In Latin American region, **Brazil**'s statistics agency IBGE is expected to report that **industrial production** likely rose 0.1% in August, after falling 1.4% in July. Annually, industrial production is expected to have increased 2.3%, compared to a 6.1% rise in the prior month.
Additionally, the **IPC-Fipe inflation index** for September is also on the radar.



The front hood logo on a 2018 Tesla Model 3 electric vehicle is shown in this photo illustration taken in Cardiff, California, June 1, 2018. REUTERS/Mike Blake

Investors will also look out for **Mexico**'s **S&P Global manufacturing PMI** data for September. Meanwhile, the country's statistics agency is expected to report that **gross fixed investment** likely rose 1.4% in July, compared to a 1% drop in the previous month. On an annual basis, gross fixed investment probably rose 5% in July, having fallen 1.3% in June.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Conagra Brands	Q1	BMO	$0.60	$0.60	$0.66	$2,844.49

**Includes companies on S&P 500 index. **Estimates may be updated or revised; release times based on company guidance or past practice.*

All analysts' estimates are according to LSEG IBES data.

Market Monitor

A street sign for Wall Street is seen outside the New York Stock Exchange in Manhattan, New York City, U.S. December 28. REUTERS/Andrew Kelly

Stocks ended lower, with the **Nasdaq** losing more than 1%, as investors grew more cautious after Iran fired missiles at Israel. Iran launched the salvo of ballistic missiles in retaliation for Israel's campaign against Tehran's Hezbollah allies. In response, U.S. President Joe Biden directed the U.S. military to aid Israel's defense and shoot down missiles aimed at Israel, the White House National Security Council said. "I hope we don't see further escalation, but if we do see further escalation I could see continued market weakness because we just don't know how far this is going to go," said Peter Tuz, president of Chase Investment Counsel in Charlottesville, Virginia. "The level of risk has increased. The markets have had a good year and people can get scared out of the market depending on what happens over the next couple of weeks." The **Dow Jones Industrial Average** fell 0.41% to 42,156.97. The **S&P 500** was down 0.93% at 5,708 and the Nasdaq Composite dropped 1.53% to 17,910.36.

Treasury yields fell as Iran launched missiles at Israel which boosted demand for safe-haven assets, but were off earlier lows on hopes any further escalation was not imminent. "It was a reaction to see what the response was going to be based on the information, based on some of the headline news, everybody was on kind of standby, and then once you started to see things play out the market was able to settle down," said Jim Barnes, director of fixed income at Bryn Mawr Trust in Berwyn, Pennsylvania. "Once you have your initial response, now we'll just wait and see and hopefully this pause will hold and then the market will change their attention now back to some of the morning data, which obviously has more and longer-term implications for yields." **Benchmark 10-year notes** rose 17/32 to yield 3.7391%. **30-year bonds** gained 31/32, yielding 4.0779%. **2-year notes** added 3/32 with a yield of 3.6105%.

Safe haven currencies strengthened as Iran launched missiles towards Israel, while the **dollar** also firmed on data showing a resilient U.S. labor market. "The market has largely ignored the Middle East conflict in the last month, but a direct Iran-Israel confrontation is always at risk of spiraling," said Adam Button, chief currency analyst at ForexLive in Toronto. Against the **Japanese yen**, the greenback edged 0.06% lower to 143.53 yen. The **dollar index** rose 0.42% to 101.20.

Oil prices jumped after Iran fired a salvo of ballistic missiles at Israel in retaliation for Israel's campaign against Tehran's Hezbollah allies in Lebanon. **Brent futures** spiked 3.22% to $74.01 a barrel, while **U.S. West Texas Intermediate (WTI) crude futures** rose 3.27% to $70.40 per barrel. "Jerusalem will not hesitate to widen its military offensive to hit Iran directly. And Iran's oil assets are very likely on the target list," Clay Seigle, an independent political risk strategist, said in an email. An Israeli attack on Iranian oil production or export facilities could cause a material disruption, potentially more than a million barrels per day, Seigle said. Weekly U.S. oil storage data is due from the American Petroleum Institute trade group later on Tuesday and the EIA on Wednesday.

Gold prices jumped on safe-haven demand as fears of a full-out war in the Middle East escalated after Iran fired ballistic missiles at Israel. "If there's serious casualties in Israel, then we may have an all out Middle East War, that's what I think traders are worried about right now," which could prompt further safe-haven demand for gold, said Jim Wyckoff, senior market analyst at Kitco Metals. **Spot gold** gained 0.91% to $2,658.39 per ounce, while **U.S. gold futures** added 0.87% to $2,682.50 an ounce.

Top News

US East Coast dockworkers strike, halting half the nation's ocean shipping

U.S. East Coast and Gulf Coast dockworkers began a strike, their first large-scale stoppage in nearly 50 years, halting the flow of about half the nation's ocean shipping after negotiations for a new labor contract broke down over wages. It affects 36 ports - including New York, Baltimore and Houston - that handle a range of containerized goods from bananas to clothing to cars. The walkout could cost the American economy roughly $5 billion a day, JP Morgan analysts estimate, as shipments are disrupted from busy terminals. In addition, the strike could cloud Fed policymakers' views and their sense of certainty about what's happening in the economy as they debate their next interest rate move ahead of the U.S. central bank's Nov. 6-7 policy meeting. To read more, **click here**

A street sign for Wall Street is seen outside the New York Stock Exchange in Manhattan, New York City, U.S. December 28. REUTERS/Andrew Kelly

EXCLUSIVE-Carlyle-backed StandardAero set to price IPO above range, sources say

StandardAero, a U.S. aircraft maintenance services provider, is set to price its U.S. initial public offering above its indicated range, setting it up for one of the biggest stock market debuts this year, people familiar with the matter said. StandardAero, which is backed by buyout firm Carlyle, is getting close to securing enough investor support to price its share sale at $24 apiece or more, above its range of $20 to $23. The company and some of its existing shareholders are expected to sell 60 million shares to raise at least $1.44 billion, making it the biggest U.S. IPO since Lineage raised $4.45 billion in June. This would value StandardAero at roughly $8 billion, based on about 334.5 million outstanding shares. Separately, Cerebras Systems, a startup competing for a slice of the lucrative AI chip market, said late on Monday its revenue surged more than threefold in 2023, in a filing to go public in the U.S. To read more, **click here**

Apple accused by US labor board of imposing illegal workplace rules

The National Labor Relations Board in the complaint announced late on Monday claims Apple required employees nationwide to sign illegal confidentiality, non-disclosure, and non-compete agreements and imposed overly broad misconduct and social media policies. The complaint accuses Apple of "interfering with, restraining, and coercing employees in the exercise of" their rights under federal labor law. If Apple does not settle the case, it will be heard by an administrative judge beginning in January. Separately, extensive damage from a fire at Tata Group's Apple iPhone component plant in southern India could hamper production ahead of a festive season sales surge, an industry watcher and a source said, forcing the U.S. firm's suppliers to arrange critical parts from China or elsewhere. To read more, **click here**

Microsoft revamps AI Copilot with new voice, reasoning capabilities

Microsoft has given its consumer Copilot, an artificial intelligence assistant, a more amiable voice in its latest update, with the chatbot also capable of analyzing web pages for interested users as they browse. The company now has "an entire army" of creative directors finessing the tone and style of Copilot to distinguish it, Mustafa Suleyman, chief executive of Microsoft AI, told Reuters in an interview. Underlying the product are Microsoft AI, or "MAI," models, plus a technology suite from partner OpenAI, Suleyman said. Suleyman said that eventually, Copilot will learn context from consumers' Word documents, Windows desktops, even their gaming consoles if they grant permission. Asked what Bill Gates, Microsoft's co-founder, thinks of the company's AI efforts, Suleyman said Gates was excited. Separately, OpenAI unveiled a host of new tools that would make it easier for developers to build models based on its artificial intelligence technology. To read more, **click here**

GM's third-quarter US sales fall about 2%

General Motors reported a 2.2% fall in third-quarter sales of its new vehicles in the United States, pressured by fewer sales days in the three-month period and lower customer spending due to inflation. Buyers have been shying away from big-ticket purchases such as luxury vehicles and switching to utilitarian focused models that are more affordable. Sales of GM's compact affordable Trax SUV rose nearly 57% to 59,299 units from a year earlier. Overall sales fell to 659,601 units from a year earlier. The Detroit automaker's sales had grown about 21% during the same period last year. Separately, Ford Motor Co said it will lower the annual and monthly subscription prices for its hands-free driving technology. To read more, **click here**

REUTERS/Matt Mills McKnight

Boeing considers raising at least $10 billion in share sale, Bloomberg News reports

Boeing is considering raising at least $10 billion by selling new stock, Bloomberg News reported, citing people familiar with the discussions. The planemaker is working with advisers to explore its options, the report said, adding that raising equity is not likely to happen for at least a month. Boeing is carrying a heavy debt load of about $60 billion and posted operating cash flow losses of more than $7 billion for the first half of 2024, according to data compiled by LSEG. Industry experts had said Boeing would likely need to raise cash by the end of 2024, with some analysts and investors expecting the company to raise between $10 billion and $12 billion. Boeing has just under $4.6 billion in bonds and loans coming due by end of 2025, according to data compiled by LSEG.

Big oil's big payouts under strain as energy prices fall

Major energy companies are set to borrow billions to maintain shareholder payouts or cut the rate of share repurchases in the face of a drop in oil prices after more than two years of bumper profits, analysts said. BP, Chevron, Exxon Mobil, Shell and France's TotalEnergies have paid investors more than $272 billion in dividends and share repurchases since the start of 2022. "With moderating oil prices and weak refining margins, 2025 could be seen as a lost year for the sector," RBC Capital Markets analyst Biraj Borkhataria said. Exxon, Chevron, Shell and TotalEnergies are expected to hold share repurchases flat throughout next year, and Borkhataria said they may resort to borrowing money to cover shortfalls when interest rates are still high. Some have already tapped into cash reserves to stick to their return promises. Chevron, for example, paid $6 billion to investors in the second quarter of the year, when its net earnings reached $4.4 billion while its debt rose by around $2.5 billion from the previous quarter.

US issues $2 billion electric vehicle tax rebates since Jan 1, Treasury says

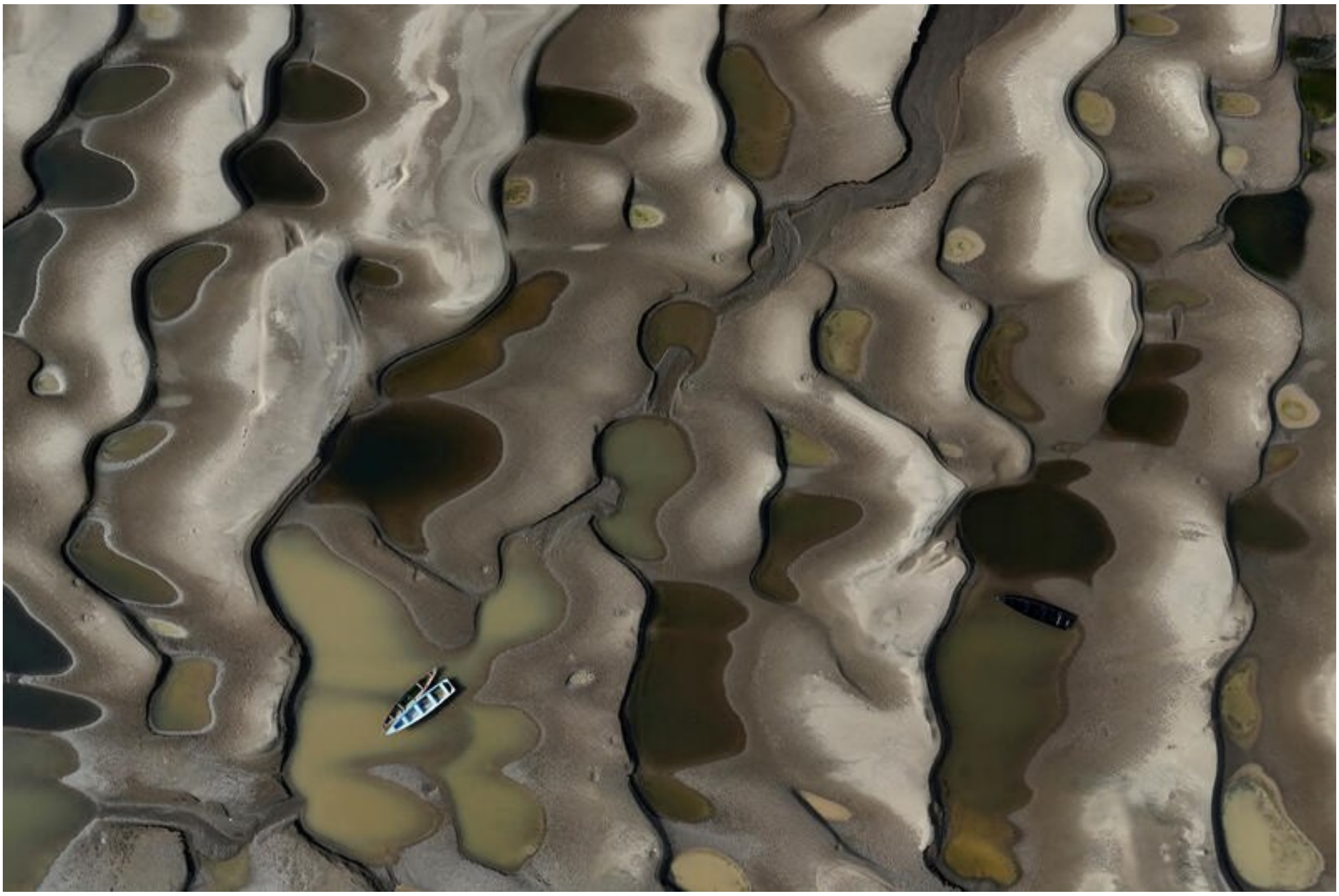
The U.S. government has issued $2 billion in advance point-of-sale consumer electric vehicle (EV) tax credit payments since Jan. 1 covering more than 300,000 vehicles, the Treasury said. Treasury also released a new analysis from its Office of Economic Policy that estimates the owner of an electric vehicle will save $18,000 to $24,000 more than a person who purchased a comparable gasoline vehicle. The analysis tallies estimated annual savings assuming a 15-year vehicle lifespan. Treasury Secretary Janet Yellen said "consumers will save an average of $21,000 on fuel and maintenance over the lifetime of their vehicles and be protected from the volatility of gasoline prices." Consumers must attest they meet income limits to qualify for the tax credit at time of purchase or must repay the government when filing their taxes. For new vehicles, the adjusted gross income limit is $300,000 for married couples and $150,000 for individuals.

Health insurers unveil Medicare Advantage plans for 2025

Health insurers Cigna, CVS Health, Humana and Centene released details on their government-backed health insurance plans for next year for people aged 65 and above. Cigna said it will offer some prescription drug plans with low premiums that will help save costs. Humana, which has a total of 793 individual Medicare Advantage plans across the country for next year, said all plans that provide coverage for prescription drugs will see some benefit enhancements in 2025 under the Inflation Reduction Act. The health insurers will also offer special needs plans, dental, hearing and vision coverage as well. Separately, CVS Health said it would lay off about 2,900 employees, representing less than 1% of its workforce, as the healthcare conglomerate aims to cut costs.

Spice maker McCormick lifts annual forecast as demand recovers

McCormick raised its annual earnings forecast after posting better-than-expected third-quarter results, banking on consumers choosing to make meals at home to curb discretionary spending amid sticky inflation. Benefits from cost savings measures to streamline business as well as price hikes taken in the past quarters helped expand its quarterly gross profit margin by 170 basis points to 38.7%. For the full year, the company expects sales to be in the range of down 1% to up 1%, compared with its prior forecast range of down 2% to flat. It projects annual adjusted profit to be in the range of $2.85 to $2.90 per share, compared with its prior forecast of $2.80 to $2.85. The company posted third-quarter net sales of $1.68 billion. It reported adjusted profit of 83 cents per share, beating estimates of 67 cents.



A drone view shows stranded boats over the sandbanks exposed due to drought at the Solimoes River, one of the largest tributaries of the Amazon River, during the most intense and widespread drought Brazil has experienced since records began in 1950, near Manacapuru, Amazonas state, Brazil September 30. REUTERS/Bruno Kelly

Insight and Analysis

COLUMN-Wall St eyes 'slower for longer' equity rise as rally broadens: McGeever

A handful of mega-cap technology stocks has fueled Wall Street's boom for much of this year, but the promise of aggressive interest rate cuts has broadened participation recently across a range of stocks and sectors.

This increased breadth should help sustain the rally well into next year – especially with inflation continuing to trend toward the Federal Reserve's 2.0% target and the economy growing at around a 3.0% clip. But what's less clear is whether this rotation will generate the pace of gains investors have become accustomed to. History suggests it may not, particularly given the lofty expectations baked into today's high valuations and the age of this bull run. If this is the case and a 'slower-for-longer' equity dynamic sets in, investors may need to turn to stock-picking strategies rather than passive funds to achieve their desired returns.

Rotation is underway, whether it's from large caps to small caps, defensives to cyclicals, or growth to value. At the end of June, the top 10 stocks in the S&P 500 accounted for a record 35% of the index's entire market cap. But in the third quarter tech underperformed the S&P 500 by its widest margin since 2016, which helped drive a 13% outperformance of the 'S&P 493' against the 'Magnificent 7' Big Tech names. This shift primarily reflects investors' optimism that the economy will avoid recession, yet the Fed will still see the need to cut interest rates rapidly to return to the so-called neutral rate. Few areas of the economy benefit from lower interest rates more than the consumer and real estate sectors, which are heavily represented among small-cap stocks. Importantly, it's reasonable to assume that these rotations have more room to run.

CANADA

Market Monitor

Canada's main stock index ended higher, helped by surge in **oil** and **gold** prices after Iran launched a ballistic missile attack on Israel.

The **Toronto Stock Exchange's S&P/TSX composite index** ended 0.14% up at 24,033.99. The **energy sector** rose 3.40% to 272.21.

The **U.S. dollar** lost 0.22% against the **loonie** at C$1.3494.

TSE's S&P/TSX composite	Price	C$ Chng	% Chng
GAINERS			
Canadian Natural Resources Ltd	46.92	2.01	4.48
Baytex Energy Corp	4.22	0.18	4.46
Imperial Oil Ltd	99.32	4.17	4.38
LOSERS			
BlackBerry Ltd	3.29	-0.27	-7.58
Tilray Brands Inc	2.29	-0.09	-3.78
Aritzia Inc	49.03	-1.80	-3.54

Top News

Workers make jackets at the Canada Goose factory in Toronto, Ontario, February 23, 2018. REUTERS/Mark Blinch

Canada September factory PMI shows first growth in 17 months

Canadian manufacturing activity strengthened for the first time in 17 months in September as market demand improved and lower borrowing costs bolstered confidence in the economic outlook, data showed. The S&P Global Canada Manufacturing Purchasing Managers' Index (PMI) increased to 50.4 in September from 49.5 in August, its first move above the 50.0 no-change mark since April 2023. The new orders index rose to 50.3 from 48.5 in August, helped by an uplift in market demand and despite continued weakness in new export orders, while the measure of future output was at 61.2, up from 60.0. The input price index climbed to 56.4, its highest since April 2023 and up from 55.8 in August.

Canada could offer relief from tariffs on imported China steel, aluminum

Canada could offer firms some relief from a 25% surtax that is due to be imposed later this month on imports of Chinese steel and aluminum, Finance Minister Chrystia Freeland said. Canada announced the measures in late August, citing China's intentional, state-directed policy of over-capacity. Freeland said Ottawa had heard concerns from some stakeholders about their ability to adjust supply chains before the measures come into effect on Oct 22. "The government intends to implement a framework to consider requests for tariff relief. Potential factors that may be included in the framework are situations of short supply ... and other exceptional circumstances," she said. Further details of how the framework will work would be released later, she added.

Eros Resources to merge with Canadian mining rivals

Canadian small-scale gold miner Eros Resources would merge with rivals MAS Gold and Rockridge Resources to develop copper and gold projects in the province of Saskatchewan, the companies said. Under the deal terms, Eros would acquire MAS Gold and Rockridge shares that it does not own already by issuing 0.375 Eros common shares to Rockridge shareholders and 0.25 Eros shares to MAS Gold shareholders. After the transaction closes, Eros shareholders would own about 42.37% of the combined company, while MAS Gold and Rockridge shareholders would own 37.33% and 20.3%, respectively.

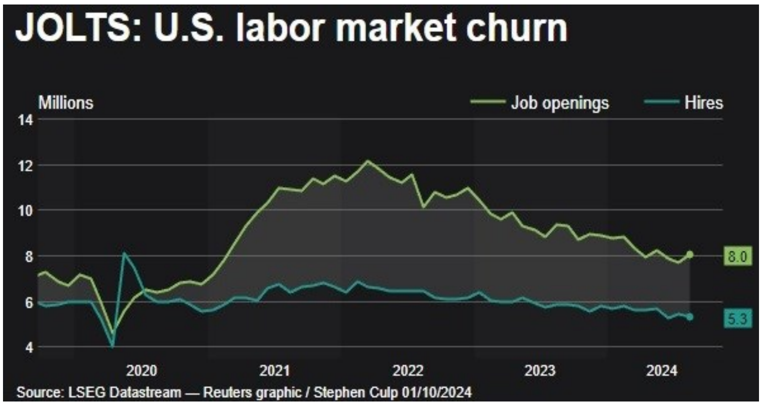
THE DAY AHEAD

WEALTH NEWS

ECONOMY

US job openings rebound in August; hiring remains sluggish

U.S. job openings unexpectedly increased in August, but hiring was soft and consistent with a slowing labor market that keeps the Federal Reserve on track to cut interest rates again in November. The Labor Department's Job Openings and Labor Turnover Survey, or JOLTS report, also showed layoffs declining. There were 1.13 job openings for every unemployed person in August and resignations were the lowest in four years. Job openings rebounded by 329,000 to 8.040 million by the last day of August. Hires slipped 99,000 to 5.317 million, while layoffs declined by 105,000 to 1.608 million. Separately, The ISM's manufacturing employment measure dropped to 43.9 from 46.0 in August.



Click on the chart for a detailed graphic

TOP ORDER CHANGE

Brokerage Charles Schwab's long-time CEO Bettinger to retire

Charles Schwab said President Rick Wurster will succeed long-time CEO Walt Bettinger, marking a change of the guard at the brokerage firm after 16 years.

STAKE REPURCHASE

Berkshire Hathaway buys full control of its energy unit

Berkshire Hathaway will take full ownership of Berkshire Hathaway Energy, after Warren Buffett's conglomerate agreed to acquire the 8% it did not already own from the family of late billionaire philanthropist Walter Scott.

MERGER AND ACQUSITION

PepsiCo to buy tortilla-chip maker Siete Foods for $1.2 billion

PepsiCo will buy Siete Foods parent Garza Food Ventures for $1.2 billion, the Frito-Lay owner said, beefing up its snacking portfolio amid a shift to private-label brands among cost-conscious consumers.

COURT DECISION

Verizon wins bid for new trial after $847 million wireless patent verdict

Verizon has convinced a federal judge in Texas to throw out an $847 million patent verdict and hold a new trial on allegations that the telecom giant infringes patents covering wireless communications technology.

HYPERSCALE

Equinix signs $15 billion joint venture to build U.S. data center infrastructure

Data center firm Equinix is forming a joint venture with Singapore's sovereign wealth fund GIC and Canada Pension Plan Investment Board with goals to raise more than $15 billion in capital, the company said.

INVESTMENT

J&J to invest over $2 billion for new manufacturing facility in North Carolina

Johnson & Johnson said it will invest more than $2 billion to build a new manufacturing facility at Wilson, North Carolina, aiding production of new therapies.

Ana Maria Velasco tests special protective glasses to observe the upcoming solar eclipse in Hanga Roa area at Easter Island, Chile, September 30. REUTERS/Ivan Alvarado

The Day Ahead - North America is compiled by Haritha K P and Anjana Jayakrishnan in Bengaluru.

For questions or comments about this report, email us at: ***TheDay.Ahead@thomsonreuters.com.***

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