

The LeBlanc Report

Week of February 3rd, 2020

Market Overview: January 27th – January 31st, 2020

Market Recap

Wall Street ended higher, reversing earlier losses, after the WHO declared the China coronavirus a global emergency, while earnings painted a mixed picture. **Oil** tumbled and **Benchmark Treasury** yields dipped over concerns about the potential economic impact of the coronavirus. **Spot gold** prices were lower. The **dollar** fell on lacklustre U.S. GDP data.

Coming Up In U.S.

- The **United Kingdom** left the **European Union** at the stroke of Friday midnight Brussels time, after which the country will no longer be an EU member state and will be considered a third country. However, it will enter a transition period until Dec. 31, 2020, designed to provide more time for citizens and businesses to adapt. During the transition, Britain will continue to apply EU law but will no longer be represented in EU institutions.
- A report from the U.S. Commerce Department will likely show **consumer spending** rose 0.3% in December, after gaining 0.4% in November. The report will also show **personal income** rising 0.3% in December from 0.5% in the month before. Final reading of the **University of Michigan's consumer sentiment index** is expected to remain unchanged at 99.1 in January, compared with December.
- Oil majors Chevron Corp and Exxon Mobil Corp are scheduled to report their fourth-quarter results. **Chevron's** earnings are expected to be affected by a sharp decline in natural gas prices and an \$11 million charge related to asset impairment. **Exxon's** earnings will likely fall sharply from a year ago on weakness in chemical and refining. Separately, **Phillips 66** is expected to post lower fourth-quarter profit and revenue. Investors will be closely looking at its 2020 capital spending budget and updates on any new projects after it recently cancelled a renewable diesel project in Washington.

U.S. Top News

• WHO declares global emergency as China virus death toll reaches 170

The World Health Organization (WHO) said it was declaring the China coronavirus outbreak that has killed 170 people in China a global emergency, as cases spread to 18 countries.

• Altria takes another \$4 billion hit on Juul investment, revises deal terms

Altria Group took another \$4 billion charge on its investment in Juul Labs and said it had reworked its deal terms with the embattled e-cigarette maker, which is facing increased regulatory scrutiny amid a backlash against vaping.

• Verizon shares down on profit miss even as wireless customers added

Verizon Communications shares fell as quarterly profits missed estimates even though the company added more monthly mobile phone subscribers than expected as adding the Disney+ streaming service helped some of its plans.

- **Facebook shares hit by slowest growth in years, higher expenses**

Shares of Facebook fell after the social media giant posted its slowest quarterly growth since its market debut as expenses mount and warned of continued stagnant growth.

- **Tesla shares hit record after blowout results, strong delivery forecast**

Shares of Tesla opened at a record high as Wall Street analysts were encouraged by the company's better-than-expected quarterly results and delivery targets for the year.

Canada Top News

- **Canadian energy sector to boost spending after 6-year slide -industry group**

Capital spending by Canada's oil and gas industry will rise by 6%, or C\$1.9 billion, in 2020 from the previous year, halting a six-year decline due to improving economics, said the Canadian Association of Petroleum Producers (CAPP).

- **Bank of Canada: financial vulnerabilities can make it harder to hit inflation target**

Financial vulnerabilities like high household debt could undermine central bank efforts to keep inflation in check, since they potentially limit the effectiveness of rate cuts, a top Bank of Canada official said.

- **CIBC planning layoffs to cut costs**

Canadian Imperial Bank of Commerce will lay off employees in the months ahead to cut costs, a memo obtained by Reuters showed.

- **Enbridge defends plan to sell capacity on Mainline oil network amid criticism**

Facing criticism, Canadian pipeline company Enbridge said its plan to sell nearly all capacity on the Mainline oil network was fair and would benefit the western Canadian industry.

- **Canada's wood bison near proposed oil project face 'imminent threats' - minister**

Canada's wood bison, who live in northern Alberta near the proposed site of Teck Resources Frontier oil sands project, face "imminent threats" to their recovery, a report from the country's environment department said.

Insight and Analysis

- **Trump's first presidential portfolio lags job, stock market growth**

In his first address to the U.S. Congress, President Donald Trump hailed General Motors, Harley-Davidson, Intel Corp and seven other companies as innovators and job creators, predicting they would be among those producing "tens of thousands of new American jobs" and investing "billions and billions of dollars."

- **Current U.S. earnings season points to growth, defying expectations**

Earnings for S&P companies are seen increasing for the fourth quarter over a year earlier, according to IBES data from Refinitiv. Earnings for the quarter are now expected to have risen 0.7% from the year-ago quarter, based on results from 193 S&P 500 companies and estimates for the rest.

- **Virus fears draw value investors to travel, casino stocks**

As travel and casino stocks reel from concerns over the coronavirus outbreak, some value-focused investors are

betting the declines will not last. Fund managers say outbreak concerns have exacerbated pressure on these stocks, which had already been hit by the trade war between the U.S. and China¹.

Please contact LeBlanc Group at leblanc.group@cgf.com or by phone at 604.661.7839 to learn more. You can visit our website by following the link <http://www.leblancgroup.ca/>.

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¹ January 2020. Source: Refinitiv. The Day Ahead.