

MORNING NEWS CALL

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USA EDITION

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TOP NEWS

- **Kyiv, other Ukraine cities hit by Russian missiles at rush hour**

Russia pounded cities across Ukraine during rush hour, killing civilians and knocking out power and heat, in apparent revenge strikes after President Vladimir Putin declared a blast on Russia's bridge to Crimea to be a terrorist attack.

- **U.S. aims to hobble China's chip industry with sweeping new export rules**

The Biden administration published a sweeping set of export controls on Friday, including a measure to cut China off from certain semiconductor chips made anywhere in the world with U.S. equipment, vastly expanding its reach in its bid to slow Beijing's technological and military advances.

- **Tesla's China-made sales hit record following Shanghai factory upgrade**

Tesla delivered 83,135 China-made electric vehicles (EVs) in September, smashing its monthly record, according to a report released on Sunday by the China Passenger Car Association (CPCA).

- **COLUMN-King dollar delivers bumper Q3 for macro hedge funds: McGeever**

"Buy dollars, wear diamonds," goes the old foreign exchange market saying. It also encapsulates macro hedge funds' trading strategy today - while most investors got smoked in the third quarter as stocks, bonds and commodities slumped, macro funds raked it in thanks to the surging U.S. dollar.

- **U.S. banks cut donations to federal candidates, up Democrats' share ahead of mid-terms**

U.S. banks are giving far less to federal candidates this election cycle and increasing the proportion they are handing to Democrats as they rethink their political giving, according to a Reuters analysis of data compiled by the Center for Responsive Politics (CRP) and more than half a dozen industry officials and lobbyists.

BEFORE THE BELL

Wall Street futures slipped and **global markets** fell, dragged by escalating Ukraine-Russia tensions and renewed concerns about the economic outlook. **Chipmakers** slipped on new curbs on exports to China. The **dollar** was higher as investors set their sights on U.S. inflation data later in the week, which is expected to show that price pressures remain strong, while **gold**

prices dipped. **Oil** prices fell as investors looked to slowing economic activity in China, the world's biggest crude importer, which revived concerns about a global recession and falling global fuel demand.

STOCKS TO WATCH

- **Alibaba Group Holding Ltd:** Shares in the Chinese tech giants and Tencent as well as in chipmakers slumped, as investors were spooked by new U.S. export control measures aimed at slowing Beijing's technological and military advances. The Biden administration published a sweeping set of export controls on Friday, including a measure to cut China off from certain semiconductors made anywhere in the world with U.S. equipment. The raft of measures, some of which take immediate effect, could amount to the biggest shift in U.S. policy toward exporting technology to China since the 1990s. Experts said the new rules will have a broad impact, slowing China's efforts to develop its own chip industry and advance commercial and state research involving military weapons, artificial intelligence, data centres and many other areas that are powered by supercomputers and high-end chips. Under the new regulations, U.S. companies must cease supplying Chinese chipmakers with equipment that can produce relatively advanced chips - logic chips under 16 nanometers (nm), DRAM chips below 18 nm, and NAND chips with 28 layers or more - unless they first obtain a license.

- **Amazon.com Inc:** The online retailer said it will invest more than 1 billion euros over the next five years in electric vans, trucks and low-emission package hubs across Europe, accelerating its drive to achieve net-zero carbon. The retailer said the investment was also aimed at spurring innovation across the transportation industry and encouraging more public charging infrastructure for electric vehicles (EVs). The U.S. online retailer said the investment would help its electric van fleet in Europe more than triple from 3,000 vehicles to more than 10,000 by 2025. The company did not say what percentage of its European last-mile delivery fleet is electric today, but said those 3,000 zero-emission vans delivered over 100 million packages in 2021. Amazon said it also hopes to purchase more than 1,500 electric heavy goods vehicles - used for "middle-mile" shipments to package hubs - in the coming years.

- **Apple Inc:** The smartphone maker's wireless earphones AirPods will be manufactured in India, television channel CNBC TV18 reported, citing the country's IT ministry. The iPhone 14 will be manufactured by Dec. 2022 at Foxconn's facility near Chennai in southern India, CNBC TV18 added. Apple did not immediately respond to a request for comment.

- **Applied Materials Inc, KLA Corp & Lam Research Corp:** The Biden administration published a sweeping set of export controls on Friday, including a measure to cut China off from certain semiconductor chips made anywhere in the world with U.S. equipment, vastly expanding its reach in its bid to slow Beijing's technological and military advances. The rules, some of which take immediate effect, build on restrictions sent in letters this year to top toolmakers KLA, Lam Research and Applied Materials, effectively requiring them to halt shipments of equipment to wholly Chinese-owned factories producing advanced logic chips. The raft of measures could amount to the biggest shift in U.S. policy toward shipping technology to China since the 1990s. If effective, they could hobble China's chip manufacturing industry by forcing American and foreign companies that use U.S. technology to cut off support for some of China's leading factories and chip designers. "This will set the Chinese back years," said Jim Lewis, a technology and cybersecurity expert at the Center for Strategic and International Studies (CSIS), a Washington D.C.-based think tank, who said the policies harken back to the tough regulations of the height of the Cold War. "China isn't going to give up on chipmaking ... but this will really slow them (down)."

- **Boeing Co:** A Boeing 737 MAX flight by MIAT Mongolian Airlines landed in Guangzhou, flight tracking websites showed, marking what appeared to be the first commercial flight by the model to China since the country grounded the plane in March 2019. Chinese airlines have not returned the 737 MAX to commercial service and Boeing last month said it would begin to remarket some of the planes meant for Chinese customers. The 737 MAX has returned to commercial service in almost every market globally, with the exceptions of China and Russia,

which is now sanctioned over its invasion of Ukraine. Flight OM235 from Mongolian capital Ulaanbaatar landed in Guangzhou, according to FlightRadar24 and VariFlight. Boeing declined to comment on the MIAT flight, saying it continued to work with global regulators and customers on the safe return of the MAX, which was grounded after two fatal crashes.

- **Embraer SA & SkyWest Inc:** Brazilian state development bank BNDES and the planemaker have entered a deal for the lender to fund exports of six E-175 jets to the U.S.-based carrier, the bank's managing director told Reuters. Bruno Aranha said in an interview that the loan was modeled as a post-shipment export credit, through which BNDES will fund the exports and SkyWest assume the debt. It has also involved four private insurers - AXA XL, Axis Capital, Sompco International and Fidelis Insurance - Aranha said, as the state-run bank looks to increase transactions secured by private companies. "We think this could be a trend from now on," he said, noting they could be often used for Embraer's high added value shipments. The latest loan will mature in 12 years, according to Embraer. Financial details on the transaction were not disclosed. Aranha said the bank could also help funding exports of Embraer's KC-390 military aircraft ahead, though noting that such deals could take longer to be completed as they would involve foreign nations and their public sectors.

- **Exxon Mobil Corp & TotalEnergies SE:** The strikes that have hit French oil refineries and storage sites will continue, with workers at the oil company's Esso France sticking to their positions as petrol stations run dry throughout the country. The strikes have added to pressure on President Emmanuel Macron's government, which is already facing discontent from the public over inflation and higher household bills. "It will be continued across the board," said a CGT official at TotalEnergies, a day after the French company offered to bring forward wage talks in an effort to end a dispute that has been dragging on for about two weeks. The union said that the TotalEnergies offer to engage in wage talks this month on condition that strikes end was a form of "blackmail". Another CGT official said the walkouts would also continue at two Esso France refineries ahead of talks scheduled. The supply situation in France deteriorated over the weekend and almost a third of the country's petrol stations had problems getting deliveries of at least one fuel product on average on Sunday.

- **Lockheed Martin Corp:** Deliveries can resume for company's F-35 jet under a waiver allowing Chinese-origin alloy to go into an engine part, the Pentagon said on Saturday. In September the Pentagon stopped accepting new F-35 jets after it discovered a magnet in the stealthy fighter's engine was made with unauthorized material from China. The waiver, signed Oct. 8 by William LaPlante, the Pentagon's chief weapons buyer, allows an alloy in the engine's lubricant pump that does not comply with U.S. procurement laws. Those bar unauthorized Chinese content in the jet. The acceptance of the aircraft is necessary for national security interests, LaPlante said in a statement, adding that the determination applies until the last aircraft under the contract is accepted, currently projected for October 2023. Lockheed Martin, which manufactures the jets, had said the issue was "related to a magnet on the F-35 Turbomachine manufactured by Honeywell that includes cobalt and samarium alloy."

- **Marathon Petroleum Corp:** The petroleum company plans to begin restarting a hydrocracker at its 593,000 barrel-per-day (bpd) Galveston Bay Refinery in Texas City, Texas, by Sunday, said sources familiar with plant operations. Marathon spokesperson Jamal Kheiry declined on Friday to discuss operations at the refinery. Marathon shut the 60,000-bpd Ultracracker (UU-4) hydrocracker on Sept. 13 to upgrade the unit's main compressor, the sources said. While UU-4 has been shut, Marathon also performed maintenance on the 105,000-bpd cat feed hydrotreater and a 13,000-bpd coker. The work on UU-4's 100-J main compressor is expected to reduce malfunctions and unit outages, the sources said.

- **Meta Platforms Inc & Twitter Inc:** Kanye West's Twitter and Instagram accounts were restricted over the weekend, with the social media platforms saying they removed the rapper's posts after online users condemned them as anti-Semitic. He was first locked out of his Instagram on Friday after which he took to Twitter, where he tweeted on Saturday for the first time in two years. West's first post on Twitter since 2020 was a blurry photo of the rapper and Meta Platforms founder Mark Zuckerberg singing karaoke. The tweet said: "Look at this Mark

How you gone kick me off instagram." West then tweeted: "You guys have toyed with me and tried to black ball anyone whoever opposes your agenda." That post, in which he said he wasn't anti-Semitic, has been removed by Twitter due to a violation of its policies. His account was also locked, a Twitter spokesperson confirmed on Sunday. The step by the company to lock the rapper's account was noteworthy because billionaire Elon Musk, who has said he would buy Twitter and calls himself a free speech absolutist, had welcomed West's return to the platform and replied to a post by the rapper tweeting: "Welcome back to Twitter, my friend!" Separately, antitrust enforcers who have asked a federal judge to stop Facebook parent Meta from buying virtual reality content maker Within filed a shorter version of their complaint on Friday.

- **Nike Inc:** The company has decided to suspend its relationship with Hockey Canada as the national governing body faces increased scrutiny over its handling of sexual assault allegations, the world's largest sportswear maker said on Friday. Nike is the latest sponsor to cut ties with Hockey Canada, which has been under fire since news broke in May of an alleged group sexual assault involving members of the country's 2018 world junior team and subsequent out-of-court settlement. Despite a freeze in funding by the federal government and mounting calls for wholesale changes, Hockey Canada's interim board chair earlier this week defended the current leadership in place at the national governing body. "After further review of Hockey Canada's response, we've suspended our relationship with the federation and paused our support," Nike said in a statement obtained by Reuters. "We'll continue to monitor the situation and await more information regarding Hockey Canada's actions to address the findings in these investigations and create a safe environment for all athletes."

- **Rivian Automotive Inc:** The carmaker said on Friday it will recall nearly all of its vehicles due to a possible issue of loose fastener that could make a driver lose steering control. California-based Rivian is recalling about 13,000 vehicles after it discovered that a fastener connecting the front upper control arm and steering knuckle may not have been "sufficiently torqued" in some vehicles, a company spokesperson said in a statement. Electric vehicle maker has so far produced a total of 14,317 vehicles this year. Rivian notified the affected customers about the recall after it became aware of seven reports potentially related to the structural issue of torqued fastener, the company said. No injuries were reported due to this defect. "In rare circumstances, the nut could loosen fully," Rivian Chief Executive RJ Scaringe said in a letter to customers urging them to take caution if they experience any issues. "It's important not to minimize the potential risks involved and why we are volunteering to conduct this recall," Scaringe wrote.

- **Stellantis NV:** The carmaker has signed a non-binding preliminary agreement with GME to secure supplies of nickel and cobalt sulphate for electric vehicle (EV) batteries, the two companies said. The deal marks a further move by the world's fourth largest carmaker to lock down supplies of metals needed for batteries that power EV cars, ahead of an expected surge in global demand as a transition towards cleaner mobility gains traction. Stellantis and the GME mining company said in a statement that the memorandum "represents the first step toward a potential long-term partnership,". Financial details were not disclosed. The supply will come from a nickel and cobalt advanced mining project in Western Australia called "NiWest", which GME is currently developing, with a planned production of around 90,000 tonnes per year of battery-grade nickel and cobalt sulphate. A feasibility study for NiWest is due to start this month, the companies said.

- **Tesla Inc:** The vehicle maker delivered 83,135 China-made electric vehicles (EVs) in September, smashing its monthly record, according to a report released on Sunday by the China Passenger Car Association (CPCA). The number marks an 8% increase from August and set a record for Tesla's Shanghai factory since production began in December 2019, topping the prior deliveries high of 78,906 in June, as the U.S. car maker continues to invest in production in China. "The record high sales of China-made Tesla cars showed electric vehicles have been leading the mobility trend," Tesla said in a brief statement. Globally, Tesla last week said it delivered 343,830 EVs in the third quarter, a record for the world's most valuable automaker, but less than the 359,162 analysts on average had expected, according to Refinitiv. Tesla quickened its China deliveries after suspending most production at the Shanghai plant in July for an upgrade, which has brought the factory's weekly output capacity to around 22,000 units

compared with levels of around 17,000 in June, Reuters previously reported.

ANALYSIS

Musk's acrimonious Twitter bid heads for business school case study immortalisation

Elon Musk's \$44 billion Twitter takeover saga comes with all the drama necessary to be immortalised in case studies for future captains of industry, as the tycoon's on-off pursuit of the social media platform and unique management style make for a union like no other. The chief executive of electric car maker Tesla Inc performed a U-turn by proposing to buy Twitter at the agreed price having spent months trying to get out of the deal, just as a Delaware Court was getting ready to rule on the standoff.

ANALYSTS' RECOMMENDATION

- **Archer-Daniels-Midland Co:** JPMorgan raises target price to \$84 from \$83, to reflect the currently favorable margin environment for agricultural products especially in North America.
- **Ford Motor Co:** UBS cuts rating to sell from neutral and cuts target price to \$10 from \$13, on under-estimated downside risk to earnings and FCF (free cash flow).
- **General Motors Co:** RBC cuts target price to \$45 from \$46, citing poor auto sentiment and expecting auto companies to express a lack of visibility and caution going forward.
- **Hasbro Inc:** MKM Partners cuts target price to \$90 from \$105, following the company's revamped Blueprint strategy saying the positive reception towards this plan has been muted by a downward revision to 2022 guidance.
- **Pioneer Natural Resources Co:** JPMorgan cuts target price to \$277 from \$284, anticipating third-quarter financials to come in below consensus despite in-line oil volumes given the pullback in commodity pricing over the quarter.

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

1000 **Employment Trends** for Sept: Prior 119.06

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

1000 **Meridian Bioscience Inc:** Shareholders Meeting

2000 **Yum China Holdings Inc:** Shareholders Meeting

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

PICTURE OF THE DAY



U.S. Supreme Court justices pose for their group portrait at the Supreme Court in Washington, U.S., October 7, 2022. Seated (L-R): Justices Sonia Sotomayor, Clarence Thomas, Chief Justice John G. Roberts, Jr., Samuel A. Alito, Jr. and Elena Kagan. Standing (L-R): Justices Amy Coney Barrett, Neil M. Gorsuch, Brett M. Kavanaugh and Ketanji Brown Jackson. REUTERS/Evelyn Hockstein



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