

Daily US Equity Opening News

24th August 2021: Strong earnings from BBY, MDT and PANW; Casino names supported after Macau eases travel curbs

The Daily US Equity Opening News is uploaded at 1400BST/0900EDT recapping all the overnight equity news.

US RECAP: SPX +0.84% at 4,479, NDX +1.46% at 15,312, DJIA +0.61% at 35,335, RUT +1.95% at 2,207 **SECTORS:** Energy +3.76%, Consumer Discretionary +1.36%, Communication Services +1.27%, Technology +1.27%, Materials +0.85%, Industrials +0.81%, Financials +0.78%, Health -0.02%, Consumer Staples -0.35%, Real Estate -0.4%, Utilities -1.31%.

BIG TECH: South Korea is likely to bar Alphabet Inc's (GOOGL) Google and Apple Inc (AAPL) from charging software developers commission on in-app purchases, the first such curbs by a major economy that could hurt the tech giants' lucrative revenue streams. If the bill gets the committee's approval on Tuesday, it will be put to a final vote on Wednesday. Meanwhile, CEOs of Apple Inc. (AAPL), Microsoft Corp. (MSFT) and Amazon Inc. (AMZN) plan to attend a White House meeting with President Biden this week to discuss efforts by private companies to improve cybersecurity following a dramatic uptick in ransomware and online attacks over the past year. The executives could discuss efforts undertaken by critical infrastructure entities, including those in the banking, energy and water utility sectors, to improve cybersecurity and collaborations with the government, and are likely to discuss how software can drive better security in the supply chain.

CHINA NAMES: China tech shares are surging pre-market after a recent slump. Note, SEC has started to issue new disclosure requirements to Chinese companies seeking to list in New York as part of a push to boost investor awareness of the risks involved. Some Chinese companies have now started to receive detailed instructions from the SEC about greater disclosure of their use of offshore vehicles known as variable interest entities (VIEs) for IPOs; implications for investors and the risk that Chinese authorities will interfere with company operations. SEC asked for a disclosure that investors may never directly hold an interest in the Chinese operating company, with many VIEs incorporated in tax havens and plenty of questions surrounding the flow of funds through these entities.

SPACE SPAC: Satellite launch service provider Virgin Orbit is going public via a merger with a SPAC that values it at about USD 3.2bln; the deal with NextGen Acquisition Corp. II (NGCA) includes USD 100mln in funding from Boeing (BA), AE Industrial Partners and others in the form of private investment in public equity.

ARK: Cathie Wood's ARK Investment bought 19K shares of **Lockheed Martin (LMT)**, about 168.9K shares of **JD.com (JD)** and about 268.5K shares of **Palantir (PLTR)** on Monday.

VACCINES: NIH Dr Fauci expects Moderna (MRNA) and J&J (JNJ) to receive FDA approval relatively soon, possibly within several weeks to one month. Fauci adds people may not need COVID boosters indefinitely and hopes the third boost will provide an elevated and prolonged response to the virus, he is just waiting for the data. Note, the EMA approved a new manufacturing line at BioNTech's (BNTX) manufacturing site which increases capacity by about 410mln doses in 2021.

OPIOID: Six US states, including Georgia, did not fully sign on to the proposed USD 26bln settlement with AmerisourceBergen (ABC), Cardinal Health (CAH), McKesson (MCK) and Johnson & Johnson (JNJ), according to the state AG's, although Georgia indicated it could wind up backing the agreement.

CASINOS (WYNN, LVS, MLCO, MGM): Macau eased travel curbs for foreign tourists amid an improving outlook for COVID-19 cases.

DOW JONES

Boeing Company (BA) (Industrials/Aerospace & Defense) is facing a review from the FAA on how Boeing employees handle safety matters after a survey found 35% of a small sample of employees reported issues with pressure and difficulties being transparent with regulators, reports WSJ.

Johnson & Johnson (JNJ) (Health Care/Pharmaceuticals) - California jury finds Johnson & Johnson (JNJ) baby powder helped cause disease; woman argued talc powder caused her asbestos-linked cancer. Jury will next consider punitive damages for JNJ.

McDonald's Corp. (MCD) (Consumer Discretionary/Restaurants) has taken milkshakes and bottled drinks off the menu at all its British restaurants due to supply chain issues.

Walmart (WMT) (Consumer Staples/Hypermarkets & Super Centers) is planning to share its delivery network with other retailers in a new business that will open another competitive front between the world's largest big-box store chain and the online retailer Amazon (AMZN), FT reported. The third-party logistics service, Walmart GoLocal, was set to launch on Tuesday.

NASDAQ 100

Baidu (BIDU) (Communication Services/Interactive Media & Services) announced Xiaodu Technology has closed Series B financing at a USD 5.1bln valuation.

CrowdStrike (CRWD) (Information Technology/Software) will replace **Maxim (MXIM)** in the Nasdaq100 index on August 26th.

Facebook, Inc. (FB) (Communication Services/Interactive Media & Services) is letting some users make voice and video calls within its main application on a trial basis, to make it easier to call people without opening the messenger app. Potentially of note for **Zoom (ZM)**.

Fiserv Inc (FISV) (Information Technology/Internet Software & Services) announced it is partnering with Selecta Group to roll out cashless payments in Europe.

Pinduoduo Inc (PDD) (Consumer Discretionary/Internet & Direct Marketing Retail) Q2 2021 (CNY): Adj. EPS 2.85, Revenue 23.05bln (exp. 26.74bln); Monthly active users 738.5mln, +30% Y/Y (exp. 759.2mln). Revenues from online marketing services and others CNY 18.08bln. Transaction services revenue CNY 3.01bln. Revenues from merchandise sales CNY 1.96bln. R&D expenses 2.33bln, +40% Y/Y.

Regeneron (REGN) (Health Care/Biotechnology) announced an ongoing Phase 2 proof-of-concept trial evaluating an investigational 8mg dose of aflibercept met its primary safety end point.

Splunk (SPLK) (Information Technology/Software) named Pamela Fusco as its Chief Information Security Officer.

Tesla (TSLA) (Consumer Discretionary/Automobiles) CEO Musk said its latest beta self-driving software was 'not great', CNBC reported; "FSD Beta 9.2 is actually not great imo, but Autopilot/AI team is rallying to improve as fast as possible," Musk wrote just days after he touted Tesla's prowess with autonomous systems and components for them at an event called Tesla AI Day. It also follows the launch of a formal investigation into Tesla's Autopilot system by federal vehicle safety authorities in the US last week.

S&P 500

AbbVie Inc. (ABBV) (Health Care/Pharmaceuticals) announced the European Commission approved RINVOQ, an oral, selective and reversible JAK inhibitor for the treatment of moderate to severe atopic dermatitis in patients aged 12 and older who are candidates for systemic therapy.

Advance Auto Parts (AAP) (Consumer Discretionary/Automotive Retail) Q2 21 (USD): Adj. EPS 3.40 (exp. 3.03), revenue 2.6bln (exp. 2.62bln). SSS +5.8%. Raises FY21 revenue view to 10.6-10.8bln (exp. 10.66bln, prev. 10.4-10.6 bln). Raises FY21 FCF view to a minimum of USD 700mln (prev. a minimum of 575mln). Raises FY21 share repurchase view to USD 700-900mln (prev. USD 300-500mln).

Best Buy Co. Inc. (BBY) (Consumer Discretionary/Computer & Electronics Retail) Q2 21 (USD): EPS 2.98 (exp. 1.85), revenue 11.85bln (exp. 11.49bln). FY22 revenue view 51-52bln (exp. 49.3bln). Q3 revenue view 11.4-11.6bln (exp. 10.55 bln), Q3 comp sales view -1 to -3%. CEO says some supply chain challenges remain and the less promotional environment was a driver of profitability. CFO states this year they anticipate closing roughly 30 US stores against 20 closures in each of the last two years.

CIGNA Corp. (CI) (Health Care/Managed Health Care) announces USD 2bln accelerated stock repurchase agreement.

Citigroup Inc. (C) (Financials/Diversified Banks) is being sued by Ver Capital for forcing the fund to default on a USD 263m loan in March 2020 and selling linked assets to its trading desk. Ver claims the liquidation process created a conflict of interest at the bank, while ignoring the chance of better offers from other possible buyers.

CVS Health (CVS) (Health Care/Health Care Services) will require COVID#19 vaccinations for clinical and corporate employees.

Delta Airlines (DAL) (Industrials/Airlines) ordered 30 additional Airbus A321Neo (AIR FP) aircrafts in addition to Delta's existing order of 125.

Extra Space Storage (EXR) (Real Estate/Specialized REITs) raised its quarterly dividend by 25% to USD 1.25/shr.

Intl Flavors & Fragrances (IFF) (Materials/Specialty Chemicals) announced an agreement to sell its Microbial Control business to LANXESS for USD 1.3bln.

Medtronic plc (MDT) (Health Care/Health Care Equipment) Q1 21 (USD): EPS 1.41 (exp. 1.32), revenue 7.99bln (exp. 7.86bln). Raises FY22 EPS view to 5.65-5.75 (exp. 5.69, prev. 5.60-5.75). Saw a slowdown in certain businesses in the last few weeks of July due to the spread of the COVID Delta variant.

Novartis' (NOVN SW) (Health Care/Pharmaceuticals) Phase III BELINDA study did not meet primary endpoint of event-free survival for patients with aggressive B-cell non-Hodgkin lymphoma.

The Mosaic Company (MOS) (Materials/Fertilizers & Agricultural Chemicals) announced a new USD 1bln share repurchase programme.

OTHER

Altice USA (ATUS) (Communication Services/Media) saw a block trade of 13.8mln shares with a price range of USD 28.50-29.11.

BHP Group (BHP) (Materials/Metals & Mining) - S&P said BHP was at risk of a two-notch downgrade due to the sale of its petroleum business, which would increase dependence on iron ore. S&P has placed 'A' long and 'A-1' short term ratings on the BHP Group.

DraftKings (DKNG) (Consumer Discretionary/Hotels, Restaurants & Leisure) agrees a multi-year deal with Simplebet to launch real-money micro-betting across the DraftKings Sportsbook. Within the deal, DKNG's will be able to offer Simplebet's micro-betting products for the NFL, MLB and NBA and college football products, which are the first micro-betting products available for collegiate sports.

Krispy Kreme (DNUT) (Consumer Discretionary/Hotels, Restaurants & Leisure) CEO purchased 10.5k shares for USD 150k, while the chairman purchased 60k shares for USD 793k.

Lyft (LYFT) (Industrials/Road&Rail) President John Zimmer stated the co. had an exceptionally strong quarter, and noted demand is increasing as vaccinations improve.

ManpowerGroup (MAN) (Industrials/Professional Services) has agreed to acquire Ettain Group for USD 925mln in cash. Ettain will become part of Experis, ManpowerGroup's global IT resourcing and services brand.

Maxar Technology (MAXR) (Industrials/Aerospace & Defense) received order for a new communications satellite from SiriusXM (SIRI).

MicroStrategy (MSTR) (Information Technology/Software) holds roughly 108,992 bitcoins that were purchased at a total price of USD 2.918bln, as of August 23rd 2021; During Q3 fiscal year to date Co. purchased about 3,907 bitcoins for about USD 177mln in cash. During fiscal Q3 to date MSTR acquired roughly 3,907 at an average price of about USD 45,294.

Palo Alto Networks, Inc. (PANW) (Information Technology/Software) Q4 21 (USD): EPS 1.60 (exp. 1.44), revenue 1.219bln (exp. 1.17bln); billings +34% to USD 1.9bln (exp. 1.7bln). It sees next quarter billings at 1.3bln at the midpoint (exp. 1.26bln), sees EPS between 1.55-1.58 (exp. 1.60). For the FY 2022, it sees billing at USD 6.625bln at the midpoint (exp. 6.1bln), and EPS of USD 7.20 (exp. 7.09). Authorized an additional USD 676.1mln for share repurchases. CEO said they saw notable strength in large customer transactions.

Rio Tinto (RIO) (Materials/Metals & Mining) said it has restarted operations at its Richards Bay Minerals project in South Africa after a furnace in July was shut down as the supply of raw materials was affected.

Riot Blockchain (RIOT) (Information Technology/Software) Q2 21 (USD): EPS 0.22 (exp. 0.05), revenue 31.5mln (exp. 30.9mln). Total cash and Bitcoin of was USD 195.4mln at end-June. RIOT said results were a direct result of its focus on Bitcoin (BTC) mining and growing its mining operations.

Samsung (SSNLF) (Information Technology/Technology Hardware, Storage & Peripherals) plans to hire 40k employees over three years in a USD 205bln expansion led by Samsung Electronics and Biologics.

Santander Consumer (SC) (Financials/Consumer Finance) announced it will be taken private by its majority shareholder, Santander Holdings USA for USD 41.50/shr in cash for a total equity value of USD 12.7bln with the deal expected to close in Q4.

Spotify (SPOT) (Communication Services/Entertainment) is making podcast subscriptions available to all US podcasters and now offers the ability for creators to download a list of contact addressors for their subscribers

Stellantis (STLA) (Consumer Discretionary/Automobiles) signed a JV with Hon Hai Precision, follows a MoU in May.

Turtle Beach (HEAR) (Information Technology/Technology Hardware, Storage & Peripherals) unveiled its newly designed Recon 200 Gen 2 multiplatform gaming headset that delivers powerful, amplified game audio on Xbox Series X S and Xbox One, PlayStation5 and PlayStation4, and Nintendo Switch, as well as on compatible PC and mobile platforms with a 3.5mm jack.

BROKER MOVES

UPGRADES

- Agco (AGCO) upgraded to Buy from Neutral at Goldman Sachs
- DXC Technology (DXC) upgraded to Positive from Neutral at Susquehanna
- Ovintiv (OVV) upgraded to Outperform from Market Perform at Cowen
- Republic Services (RSG) upgraded to Conviction Buy from Buy at Goldman Sachs
- Sunstone Hotel (SHO) upgraded to Equal Weight after underperformance at Wells Fargo

DOWNGRADES

- Cummins (CMI) downgraded to Neutral from Buy at Goldman Sachs
- Genmab (GMAB) downgraded to Neutral from Buy at H.C. Wainwright
- Landmark Infrastructure downgraded to Market Perform from Outperform at Raymond James
- Oshkosh (OSK) downgraded to Buy from Conviction Buy at Goldman Sachs
- Trillium Therapeutics (TRIL) downgraded to Hold from Buy at Craig-Hallum
- Trillium Therapeutics (TRIL) downgraded to Market Perform from Outperform at JMP Securities
- Victoria's Secret (VSCO) downgraded to Equal Weight from Overweight at Morgan Stanley

INITIATIONS

- Affirm Holdings (AFRM) rated new buy at President Capital Management
- Avalara (AVLR) rated new buy at Berenberg; PT USD 200
- Bath & Body Works Inc (BBWI) reinstated buy at Citi; PT USD 85
- Coinbase (COIN) rated new buy at Needham; PT USD 420
- Dole (DOLE) rated new buy at Deutsche Bank; PT USD 19
- Dole (DOLE) rated new market perform at BMO; PT USD 19
- Dole (DOLE) rated new outperform at Davy
- Dole (DOLE) reinstated buy at Goldman; PT USD 26
- Gevo (GEVO) rated new buy at Stifel; PT USD 10
- Gxo Logistics (GXO) rated new sector weight at KeyBanc
- Immuneering (IMRX) rated new buy at Guggenheim; PT USD 42
- Immuneering (IMRX) rated new buy at Jefferies; PT USD 50
- Immuneering (IMRX) rated new equal-weight at Morgan Stanley; PT USD 39
- Immuneering (IMRX) rated new outperform at Cowen
- Indie Semiconductor (INDI) rated new buy at B Riley; PT USD 18
- Matterport (MTTR) rated new outperform at Credit Suisse; PT USD 20
- Nucor (NUE) reinstated buy at Seaport Global Securities; PT USD 130
- Omega Therapeutics (OMGA) rated new buy at Jefferies; PT USD 30
- Omega Therapeutics (OMGA) rated new neutral at Goldman; PT USD 22

- Omega Therapeutics (OMGA) rated new outperform at Wedbush; PT USD 36
- Omega Therapeutics (OMGA) rated new overweight at Piper Sandler; PT USD 30
- Planet Fitness (PLNT) rated new overweight at Morgan Stanley; PT USD 93
- Rani Therapeutics (RANI) rated new buy at Stifel; PT USD 24
- Rani Therapeutics (RANI) rated new overweight at Cantor; PT USD 23
- Ranpak Holdings (PACK) rated new neutral at Goldman; PT USD 32
- Reliance Steel (RS) rated new buy at Seaport Global Securities
- RxSight (RXST) rated new buy at BTIG; PT USD 28
- RxSight (RXST) rated new outperform at SVB Leerink; PT USD 20
- RxSight (RXST) rated new overweight at JPMorgan; PT USD 16
- RxSight (RXST) rated new overweight at Wells Fargo; PT USD 20
- Shift Technologies (SFT) rated new outperform at Oppenheimer; PT USD 12
- Steel Dynamics (STLD) reinstated buy at Seaport Global Securities
- Tenaya Therapeutics (TNYA) rated new buy at Chardan Capital Markets
- Tenaya Therapeutics (TNYA) rated new outperform at Cowen
- Tenaya Therapeutics (TNYA) rated new overweight at Piper Sandler
- Vertex Inc (VERX) rated new buy at Berenberg; PT USD 27
- WM Technology (MAPS) rated new buy at Stifel; PT USD 19
- WOR US (WOR) rated new neutral at Seaport Global Securities

EX DIVIDENDS

- Aramark - USD 0.11
- CDW Corp - USD 0.40
- Robert Half International Inc - USD 0.38
- TransUnion - USD 0.09
- Warner Music Group Corp - USD 0.15
- Yum China Holdings Inc - USD 0.12
- ZIM Integrated Shipping Services Ltd - USD 2.00

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