



Daily US Equity Opening News

2nd October 2023: No formal EU investigation into AI chips; GS adds NVDA to 'Conviction List'

- **FRIDAY CLOSES:** SPX -0.27% at 4,288, NDX +0.08% at 14,715, DJI -0.47% at 33,507, RUT -0.51% at 1,785. **SECTORS:** Consumer Discretionary +0.53%, Technology +0.39%, Real Estate +0.35%, Utilities +0.21%, Materials -0.22%, Consumer Staples -0.25%, Industrials -0.59%, Communication Services -0.73%, Health -0.77%, Financials -0.88%, Energy -1.97%.
- **BARRON'S: Meta Platforms (META)** positive mention; said renaming Facebook to Meta for the metaverse was seen as a bad idea, but cos. focus on AI for platform improvement is promising for investors. **General Dynamics (GD)** positive mention; said that the defence stock was a buy, noting it was cheap, and a potential government shutdown is unlikely to hurt it for too long.
- **GAMING NAMES (MGM, WYNN, MLCO):** Macau reports September casino revenue up 404.2% to 14.94bln patacas. Moreover, Detroit casino workers have authorised a strike if MGM Grand Detroit, Hollywood at Greektown, and MotorCity casinos don't provide fair contracts by October 16th, Teamsters Union said.
- **IPOs:** VCs are advising tech start-ups to delay their plans to go public in the US until interest rates stabilise, according to FT. The advice comes after the underwhelming stock market debuts of companies like Instacart, Arm, and Klaviyo. The Federal Reserve's indication of more interest rate hikes and fewer cuts in 2024 added to the turbulent trading conditions in September, frustrating hopes of a wave of tech IPOs. But Reuters reports that bankers and investors are feeling more positive about the IPO market after a busy September with several major market debuts. This year has seen USD 423bln in equity capital market transactions, up 5% Y/Y, although it's still below the record levels of 2021. The performance of recent high-profile IPOs is being watched as an indicator of investor interest in new offerings, with 25 companies going public in the past month, hinting at a potential market recovery after a slow period for new listings.
- **GLOBAL SHADOW BANKS:** Global financial regulators are taking action to regulate "shadow banking," which includes hedge funds, private equity firms, pensions, and insurers, according to FT. These non-bank entities collectively represent 50% of global financial services assets. Concerns have grown about the risks these entities pose, especially as interest rates rise. Worldwide, efforts to limit leverage and increase transparency in hedge funds are underway, with some facing legal challenges.
- **AI:** EU antitrust regulators stated there is no formal investigation into AI chips.
- **INDICES:** **Veralto (VLTO)** to replace **DXC Technology (DXC)** in the S&P 500 at open on 2nd October.

DOW JONES

- **Apple (AAPL)** (Information Technology/Technology Hardware, Storage & Peripherals) is releasing a software update to fix overheating issues in the new iPhone 15 models, according to CNBC. The problem was caused by iOS 17 bugs, app issues, and initial setup processes that generated extra heat. In other news, AAPL mulls USD 2bln annual offer for exclusive streaming rights to Formula 1 coverage on Apple TV+, Apple Insider reports. This deal, which is reportedly double what Formula 1 currently gets for global TV rights, would start with 25% streaming rights and potentially become 100% in five years as existing contracts expire.
- **Walgreens (WBA)** (Consumer Staples/Consumer Staples Distribution & Retail) sued by Cooler Screens over internet-connected cooler doors, according to WSJ.

NASDAQ 100



- **Applied Materials (AMAT)** (Information Technology/Semiconductors & Semiconductor Equipment) and its equipment and materials partners have entered the supply chain for **Intel's (INTC)** recently announced glass substrates for advanced packaging, according to DigiTimes citing sources.
- **Biogen's (BIIB)** (Health Care/Biotechnology) - FDA approved Biogen's TOFIDENCE, a medication like ACTEMRA, for treating certain types of arthritis in children and adults.
- **Electronic Arts (EA)** (Communication Services/Entertainment) CEO and Board Chair Andrew Wilson sold 5k shares on September 28th at USD 120/shr.
- **Nvidia (NVDA)** (Information Technology/Semiconductors & Semiconductor Equipment) - European regulators reportedly initiate operations against anti-competitive practices in the AI industry, according to DigiTimes. Amid rising demands for AI chips, France's competition authority announced it had raided a company in the graphics cards sector, implying a potential regulatory scrutiny faced by Nvidia.
- **Tesla (TSLA)** (Consumer Discretionary/Automobiles) introduced an updated Model Y in China with minor changes to its appearance and interior. The starting price remains the same at 263,900 yuan (USD 36,146). Separately, WSJ snipes that for Tesla's Cybertruck, another sales launch date comes and goes; CEO Musk had suggested Tesla would hold a delivery event for its electric pickup truck in Q3, but customers are still waiting.

S&P 500

- **Cigna (CI)** (Health Care/Health Care Providers & Services) expands 2024 Medicare Advantage Plans across 29 states.
- **Clorox (CLX)** (Consumer Staples/Household Products) said that it has all of its factories working again after the August cyberattack, and is now increasing production to refill stocks after the attack.
- **Discover (DFS)** (Financials/Consumer Finance) received a consent order from the FDIC to address compliance system issues related to consumer protection laws. They're committed to improving their systems, but there are no fines involved. The order doesn't cover a card product issue, which is still under regulatory review. Additional actions may occur.
- **Eli Lilly & Co (LLY)** (Health Care/Pharmaceuticals) said the FDA issued a response letter for lebrizumab based on findings at third-party manufacturer; FDA declined to approve the skin disease drug and stated no concerns about the clinical data package, safety, or label for lebrizumab.
- **Kroger (KR)** (Consumer Staples/Consumer Staples Distribution & Retail) and **Albertsons (ACI)** - FTC is likely to oppose the merger between Kroger and Albertsons, according to Axios. FTC Chair Lina Khan has expressed concerns about the deal, citing past mergers that didn't fulfil commitments.
- **Lockheed Martin (LMT)** (Industrials/Aerospace & Defense) was awarded a USD 1.2bln Navy contract modification for missile production and deployed systems support. Additionally, Sikorsky Aircraft was awarded a USD 650m US Air Force contract for the development of long-term capability upgrades for the HH-60W Combat Rescue Helicopter. Elsewhere, LMT was also awarded a USD 746.3m contract for Switzerland's F-35 Joint Strike Fighter programme.
- **Norfolk Southern (NSC)** (Industrials/Ground Transportation) had a technology outage affecting rail operations but resolved it safely. Believes it was due to a vendor product defect, not a cybersecurity issue. The impact on operations may last a few weeks, it added, and it is reviewing its systems to prevent future outages.
- **PG&E (PCG)** (Utilities/Electric Utilities) - California regulators are likely to significantly restrict the number of power lines PCG can bury in the coming years in favour of other ways to reduce fire risk, according to WSJ. Regulators argue that the undergrounding process is too expensive when customers are paying larger bills as a result of inflation and other investments to bolster the power grid.
- **Viatis (VTRS)** (Health Care/Pharmaceuticals) reached agreements to divest some of its businesses for a total of up to USD 3.6bln. Viatis said its move to divest some of its businesses is part of its long-term strategy to streamline a focus on three core therapeutic areas - ophthalmology, gastroenterology and dermatology. Has received an offer of about USD 2.17bln for almost all of its over-the-counter drug business from Cooper



Consumer Health. Viatris will retain rights for the erectile dysfunction drug Viagra, nasal spray Dymista and select OTC drugs within certain markets.

OTHER

- **AMC Entertainment (AMC)** (Communication Services/Entertainment) - A film based on Beyonce's Renaissance World Tour is in talks to be distributed directly to AMC Theatres, according to Variety. The project aims for a wide release on December 1st, with the tour expected to earn around USD 560m in ticket sales.
- **Apellis Pharmaceuticals (APLS)** (Health Care/Biotechnology) announced the US FDA has approved the EMPAVELI Injector.
- **Arch Resources (ARCH)** (Materials/Metals & Mining) now expects coking coal sales volumes for Q3 to remain generally in line with those reported in Q2 '23, due primarily to ongoing challenges mining in the first longwall district at its Leer South mine. In keeping with this revision to sales volume expectations, revising FY23 guidance for coking coal sales volumes to 8.6-8.9m tons and its average metallurgical cash cost guidance to USD 88-91 /T. Reports preliminary Q3 adj. EBITDA 10% lower than Q2
- **BP's (BP)** (Energy/Oil, Gas & Consumable Fuels) US head Dave Lawler is leaving the company shortly after the CEO's resignation. Adds pressure on BP's chairman and board as they work to maintain stability after the CEO's departure due to undisclosed past relationships with colleagues.
- **CommScope Holding (COMM)** (Information Technology/Communications Equipment) is considering selling its Ruckus Wireless and Access Network Solutions units to reduce its substantial debt load of over USD 9bn, with a significant portion due in 2025 and 2026. These businesses may fetch USD 4bn.
- **Dish (DISH)** (Communication Services/Media) said the FCC confirmed that it met all of its June 14th band-specific 5G deployment commitments and two of three nationwide 5G commitments.
- **JetBlue (JBLU)** (Industrials/Passenger Airlines) is increasing flight attendant pay by 5% next year and making other improvements in return for union support for its planned acquisition of budget airline Spirit, according to CNBC.
- **Li Auto (LI)** (Consumer Discretionary/Automobiles) September 2023 Deliveries +212.7% Y/Y at 36,060 vehicles; Q3 deliveries +296.3% Y/Y at 105,108 vehicles.
- **Nio (NIO)** (Consumer Discretionary/Automobiles) September 2023 Deliveries +43.8% Y/Y at 15,641 vehicles; Q3 deliveries +75.4% Y/Y at 55,432 vehicles.
- **Nissan (NSANY)** (Consumer Discretionary/Automobiles) September Japan vehicle sales rose 12.4% Y/Y.
- **Rivian (RIVN)** (Consumer Discretionary/Automobiles) changed its deal with Georgia to build an electric car factory; the automaker must now create jobs and invest money until 2047. And if it falls short by 80% in a year, it must return some state incentives. Rivian can also get loans and might end the deal if they don't get site exceptions by April 2024. In other news, Q3 vehicles delivered 15,564 (exp. 14,973), Production 16,304 (exp. 15,545). Still sees FY vehicle production at 52k (exp. 53,654).
- **Robinhood (HOOD)** (Financials/Capital Markets) disclosed that it sees expenses of USD 100m in Q3 to address legal and regulatory issues previously disclosed.
- **SmileDirectClub (SDC)** (Health Care/Health Care Equipment & Supplies) filed for bankruptcy, around four years after its 2019 IPO. Its founders plan to invest USD 20m to reorganise the company due to declining revenues and patent disputes.
- **Sphere Entertainment (SPHR)** (Communication Services/Media) opened its Sphere venue in Las Vegas with a show from U2 on Friday night; The Sphere will host live concerts and sporting events.
- **Spirit AeroSystems Holdings (SPR)** (Industrials/Aerospace & Defense) announces Thomas C Gentile III no longer serves as President, CEO and director with Patrick M. Shanahan appointed interim President and CEO
- **Toyota (TM)** (Consumer Discretionary/Automobiles) September Japan vehicle sales rose 20.9% Y/Y.



- **Volvo (VLVLY)** (Industrials/Machinery) around 4k workers, part of the United Auto Workers (UAW), struck a temporary agreement deal with Mack Trucks, which is owned by Volvo Group.
- **Xpeng (XPEV)** (Consumer Discretionary/Automobiles) September 2023 Deliveries +12% Y/Y at 15,310 vehicles; Q3 EV deliveries +72.0% Y/Y at 40,008 vehicles.

BROKER MOVES

UPGRADES

- Cintas (CTAS) upgraded to Conviction Buy from Buy at Goldman Sachs
- Clorox (CLX) upgraded to Buy from Neutral at DA Davidson
- Datadog (DDOG) upgraded to Overweight from Neutral at Piper Sandler
- FedEx (FDX) upgraded to Positive from Neutral at Susquehanna
- Insulet (PODD) upgraded to Buy from Hold at Jefferies
- Invitation Homes (INVH) upgraded to Outperform from In Line at Evercore ISI
- LGI Homes (LGIH) upgraded to Neutral from Sell at BTIG
- Macerich (MAC) upgraded to Neutral from Underweight at Piper Sandler
- Mr. Cooper (COOP) upgraded to Outperform from Market Perform at Keefe Bruyette
- Nvidia (NVDA) upgraded to Conviction Buy from Buy at Goldman Sachs
- Okta (OKTA) upgraded to Conviction Buy from Buy at Goldman Sachs
- Oneok (OKE) upgraded to Outperform from Sector Perform at Scotiabank
- PennyMac Financial (PFSI) upgraded to Outperform from Market Perform at Keefe Bruyette
- Quanterix (QTRX) upgraded to Conviction Buy from Buy at Goldman Sachs
- Red Rock Resorts (RRR) upgraded to Buy from Hold at CBRE
- Rivian Automotive (RIVN) upgraded to Outperform from In Line at Evercore ISI
- U.S. Steel (X) upgraded to Overweight from Equal Weight at Morgan Stanley
- Xylem (XYL) upgraded to Buy from Hold at Melius Research
- Zscaler (ZS) upgraded to Overweight from Neutral at Piper Sandler

DOWNGRADES

- Bread Financial (BFH) downgraded to Sell from Neutral at Goldman Sachs
- Chubb (CB) downgraded to Neutral from Overweight at JPMorgan
- Euronav NV (EURN) downgraded to Neutral from Outperform at Oddo BHF
- Fidelity National (FNF) downgraded to Market Perform at Keefe Bruyette
- Johnson Controls (JCI) downgraded to Buy from Conviction Buy at Goldman Sachs
- NatWest Group (NWG) downgraded to Equal Weight from Overweight at Morgan Stanley
- nCino (NCNO) downgraded to Equal Weight from Overweight at Stephens
- NextEra Energy Partners (NEP) downgraded to Equal Weight at Wells Fargo
- Norfolk Southern (NSC) downgraded to Neutral from Buy at BofA
- Salesforce (CRM) downgraded to Buy from Conviction Buy at Goldman Sachs
- Sandy Spring Bancorp (SASR) downgraded to Neutral from Buy at DA Davidson
- SolarEdge (SEDG) downgraded to Equal Weight from Overweight at Barclays
- Splunk (SPLK) downgraded to Neutral from Overweight at Piper Sandler
- Toast (TOST) downgraded to Neutral from Buy at Mizuho

INITIATIONS

- BigBear.ai (BBAI) rated New Market Perform at Cowen; PT USD 2
- Carnival (CCL) reinstated Outperform at William Blair
- Credo Technology (CRDO) rated New Overweight at Barclays; PT USD 18
- WK Kellogg (KLG) rated New Hold at Jefferies; PT USD 15
- Marathon Digital Holding (MARA) rated New Hold at Needham
- SXTF US (SXTF) rated New Buy at Ascendant Capital Markets; PT USD 2.40
- Tko Group (TKO) rated New Buy at Benchmark; PT USD 100

EX DIVIDENDS

- Agilent Technologies Inc - USD 0.22
- Brixmor Property Group Inc - USD 0.26



- Cardinal Health Inc - USD 0.50
- ESCO Technologies Inc - USD 0.08
- Steelcase Inc - USD 0.10
- Sylvamo Corp - USD 0.30
- Upbound Group Inc - USD 0.34

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