



## Daily US Equity Opening News

### 17th October 2023: JNJ earnings beat & raised guidance; BAC profit tops boosted by higher NII

- **MONDAY CLOSE:** SPX +1.06% at 4,374, NDX +1.18% at 15,173, DJI +0.93% at 33,985, RUT +1.59% at 1,747. **SECTORS:** Consumer Discretionary +1.65%, Communication Services +1.47%, Utilities +1.05%, Industrials +1.05%, Real Estate +1.02%, Financials +1.02%, Technology +0.98%, Consumer Staples +0.98%, Materials +0.92%, Health +0.75%, Energy +0.66%.
- **OIL & GAS:** Bernstein initiated **Exxon Mobil (XOM)** with an Outperform rating; **Chevron (CVX)** initiated with a Market Perform rating. Analyst said the market is in a later stage of the oil price cycle; hydrocarbons are vital for human well-being, and future investments in oil and gas are expected to be limited and essential.
- **SEMICONDUCTOR CAPITAL EQUIPMENT:** Raymond James initiates coverage of the semiconductor capital equipment sector, said the cyclical correction is mostly over, and risk/reward balance is favourable, despite recent stock movements. Says valuations are reasonable and that there's potential for higher earnings. Expects spending on fab equipment to reach a low point in H2, and sees multiple growth drivers in the sector. Its top picks in the sector are: **ASML (ASML)**, noting its dominant position in extreme ultraviolet technology, strong growth potential, and long-term visibility. It also rates **Applied Materials (AMAT)**, **Lam Research (LRCX)**, and **KLA Corp. (KLAC)** as Outperforms.
- **REAL ESTATE NAMES:** Wells Fargo initiates **Toll Brothers (TOL)**, **Masco (MAS)**, **Lennar (LEN)**, **PulteGroup (PHM)**, **D.R. Horton (DHI)** with an Overweight; **KB Home (KBH)**, **Owens Corning (OC)** initiated with an Equal Weight; **Mohawk (MHK)** started at an Underweight.

## DOW JONES

- **Goldman Sachs (GS)** (Financials/Capital Markets) Q3 2023 (USD): EPS 5.47 (exp. 5.31), Revenue 11.82bln (exp. 11.19bln). **REVENUE BREAKDOWN:** FICC sales & trading 3.38bln (exp. 2.86bln), Global Banking & Markets 8.01bln (exp. 7.06bln), Investment banking 1.56bln (exp. 1.54bln), Equities sales & trading 2.96bln (exp. 2.68bln), Advisory 831mln (exp. 730.7mln), Equity underwriting 308mln (exp. 352.2mln), Debt underwriting 415mln (exp. 460.1mln). **KEY METRICS:** Net interest income 1.55bln (exp. 1.86bln), Provision for credit losses 7mln (exp. 597.8mln), -99% Y/Y, Total operating expenses 9.05bln (exp. 7.76bln), +18% Y/Y, Compensation expenses 4.19bln (exp. 3.59bln), +16% Y/Y. **COMMENTARY:** Equity investments reflected net losses from investments in private equities, due to net losses from real estate investments, significantly lower net gains from company-specific events, and net losses from investments in public equities. Equity investments reflected net losses from investments in private equities, due to net losses from real estate investments and significantly lower net gains from company-specific events, and net losses from investments in public equities, both compared with net gains in Q3 '22.
- **Johnson & Johnson (JNJ)** (Health Care/Pharmaceuticals) Q3 2023 (USD): Adj. EPS 2.66 (exp. 2.51), Revenue 21.35bln (exp. 21.03bln); Recognises a one-time 21bln gain relating to separation of consumer business. **SALES BREAKDOWN:** MedTech 7.46bln (exp. 7.59bln), Imbruvica 808mln (exp. 806mln), Darzalex 2.50bln (exp. 2.57bln), Tremfya 891mln (exp. 829.5mln), Remicade 461mln (exp. 409.9mln), Stelara 2.86bln (exp. 2.58bln), Zytiga 214mln (exp. 211.9mln), Xarelto 625mln (exp. 691.7mln), Simponi 62mln (exp. 532.2mln). **GUIDANCE:** Raises FY guidance; EPS view 10.07-10.13 (prev. 10-10.10, exp. 10.03), Sales 83.6-84bln (prev. 83.2-84bln, exp. 84.53bln). Affirms FY23 adj. pretax operating margin to improve 50bps (prev. 50bps). **COMMENTARY:** CFO said European Stelara sales may drop beginning mid-2024, but overall Stelara sales should be stable. Does not have the scientific expertise to get into obesity drug development at the moment.
- **Merck (MRK)** (Health Care/Pharmaceuticals) - FDA approved KEYTRUDA for treating non-small cell lung cancer. This expands KEYTRUDA's use in various stages of lung cancer based on positive trial results.



- **Walmart (WMT)** (Consumer Staples/Consumer Staples Distribution & Retail) said it has enough staff for the holiday season, unlike previous years where they hired more. It will give workers extra hours if needed due to concerns about a slower shopping period. High food prices, low savings, and rising interest rates are resulting in caution.

## NASDAQ 100

- **Netflix (NFLX)** (Communication Services/Entertainment) is expanding its game streaming beta to the US, allowing users to play cloud-streamed games on devices like TVs and computers. The beta is limited and currently offers two games. Special controller apps are needed for mobile devices. It initially launched in Canada and the UK.
- **Tesla (TSLA)** (Consumer Discretionary/Automobiles) - NHTSA said Tesla has recalled 54,676 vehicles; 2021-2023 Model X vehicles due to controller failing to detect low brake fluid and will not display a warning light.

## S&P 500

- **Bank of America (BAC)** (Financials/Banks) Q3 2023 (USD): EPS 0.90 (exp. 0.82), Revenue 25.2bln (exp. 25.14 bln). **KEY METRICS:** NII FTE 14.53bln (exp. 14.22bln), NIM 2.11% (exp. 2.06%). HTM securities portfolio shows 131.6bln in unrealised losses (prev. 109.7bln loss in Q2), Provision for Credit Losses 1.23bln (exp. 1.3bln). **REVENUE SEGMENTS:** Trading ex-DVA 4.42bln (exp. 4.16bln), FICC ex-DVA 2.72bln (exp. 2.62bln), Equities ex-DVA 1.70bln (exp. 1.54bln), Wealth & Investment Management 5.32bln (exp. 5.34bln). **COMMENTARY:** Q3 was a healthy but slowing economy that saw US consumer spending still ahead of last year but continuing to slow. CFO added it recorded the highest sales and trading revenue in more than a decade in Q3. Expect the headcount to remain flattish from here on. Commercial clients are performing quite well and not seeing deposit pricing pressures.
- **Bank of New York Mellon (BK)** (Financials/Capital Markets) Q3 2023 (USD): Adj. EPS 1.27 (exp. 1.15), Revenue 4.37bln (exp. 4.33bln). **KEY METRICS:** Net outflows 8bln, Total deposits 277.47bln (exp. 277.85bln), Total avg. deposits 262.1bln (exp. 269.6bln), AUM 1.82tln (exp. 1.91tln), Assets under administration 45.7tln (exp. 46.07tln), Net Interest revenue 1.02bln (exp. 1.01bln), NIM 1.18% (prev. 1.05% Y/Y), Provision for credit losses 3mln (exp. 7mln)
- **Lockheed Martin (LMT)** (Industrials/Aerospace & Defense) Q3 2023 (USD): EPS 6.73 (exp. 6.67), Revenue 16.9 bln (exp. 16.73bln); increased share buyback by 6bln to a total of 13bln and raised the quarterly dividend to 3.15 /shr. **KEY METRICS:** Cash flow from operations 2.89bln (exp. 2.39bln), -7.7% Y/Y, Operating profit 2.04bln (exp. 2.09bln), -5.4% Y/Y, Backlog 156.03bln, +12% Y/Y, FCF 2.53bln (exp. 1.93bln), -7.4% Y/Y. **GUIDANCE** Affirms FY23 outlook; EPS view 27-27.20 (exp. 27.15), Revenue 66.25-66.75bln (exp. 66.66bln).
- **Marathon Oil (MRO)** (Energy/Oil, Gas & Consumable Fuels) signs five-year deal with **Glencore (GLNCY)** to sell LNG from the Alba Field, Equatorial Guinea, starting in 2024. Plans to shift some natural gas from methanol production to LNG due to price differences.
- **Prologis (PLD)** (Real Estate/Industrial REITs) Q3 2023 (USD): EPS 0.80 (exp. 0.58), Revenue 1.91bln (exp. 1.81 bln), Core FFO/shr 1.30 (exp. 1.26), Core FFO 1.24bln (exp. 1.19bln). **FY GUIDANCE:** Core FFO/shr 5.58-5.60 (prev. 5.56-5.60, exp. 5.59), EPS 3.30-3.35 (prev. 3.30-3.40).
- **Target (TGT)** (Consumer Staples/Consumer Staples Distribution & Retail) COO is to retire in February, according to a filing.
- **Thermo Fisher Scientific (TMO)** (Health Care/Life Sciences Tools & Services) is to acquire **Olink (OLK)** for USD 26/shr or USD 3.1bln. Note, OLK closed Monday at USD 14.98/shr.

## OTHER

- **Apellis (APLS)** (Health Care/Biotechnology) is to present positive Phase 2 NOBLE results of pegcetacoplan.
- **Baidu (BIDU)** (Communication Services/Interactive Media & Services) unveiled its Ernie 4.0 advanced AI model, claiming it matches OpenAI's GPT-4 capabilities.



- **Ericsson (ERIC)** (Information Technology/Communications Equipment) missed on revenue and net income, due to an impairment charge announced last week, but beat on EBIT. Expect macro uncertainty to persist into 2024. Warned that uncertainty in its networks business will persist into 2024. Is seeing some positive signs in early 5G markets. In its cloud software/services, it achieved positive EBITA on a rolling four-quarter basis, and said it was on track for at least breakeven in FY23, improving thereafter.
- **Fortrea (FTRE)** (Health Care/Life Sciences Tools & Services) - Starboard Value has built a stake of more than 5% in the co., according to WSJ. The activist investor plans to push for changes that could boost margins among other initiatives aimed at share-price appreciation.
- **NetScout Systems (NTCT)** (Information Technology/Communications Equipment) cut guidance, said FY24 outlook reflects recent slowing in order conversion. Q2 EPS view USD 0.60-0.62 (exp. 0.54), Revenue 195-197mln (exp. 223.6mln). Cuts FY24 EPS outlook to USD 2.00-2.20 (exp. 2.26, prev. 2.20-2.32), and FY24 revenue view to 840-860mln (exp. 926.3mln, prev. saw 915-945mln).
- **Rio Tinto (RIO)** (Materials/Metals & Mining) - Iron ore shipments rises in Q3, underpinned by China demand; aluminium, copper output also up Y/Y. Quarterly Pilbara iron ore output 83.5mln tons (prev. 84.3mln Y/Y), shipments 83.9mln T (prev. 82.9mln T), mined copper 169k T (prev. 138k T), aluminium output 828k T (prev. 759k T). Said China's economy is showing signs of stability, and consumer confidence in the US is now starting to wane.
- **Robinhood (HOOD)** (Financials/Capital Markets) "Chief Creative Officer" Baiju Bhatt sold 90k shares on October 12th for a total of USD 849k.
- **Rolls-Royce (RYCEY)** (Industrials/Aerospace & Defense) is cutting over 2k jobs as part of a cost-cutting effort led by the new CEO, according to Sky News. The restructuring will impact staff globally, including hundreds in the UK, with a focus on improving efficiency.
- **Sigma Lithium (SGML)** (Materials/Metals & Mining) is sending 20k tons of Triple Zero Green Lithium to Vitoria Port in Brazil. This eco-friendly lithium is made at their Greentech plant and delivered without a tailings dam. The third shipment will be ready by October 20th.
- **Sovos Brands' (SOVO)** (Consumer Staples/Food Products) stockholders approved its acquisition by **Campbell Soup (CPB)** for USD 23/shr in cash, subject to regulatory approval; transaction expected to close in Q4 2023.
- **Toyota (TM)** (Consumer Discretionary/Automobiles) said two production lines at the Takaoka plant and one line at the Tsutsumi plant remain suspended on Wednesday.
- **Wyndham Hotels (WH)** (Consumer Discretionary/Hotels, Restaurants & Leisure) - Choice Hotels proposes to buy Wyndham Hotels for USD 90/shr or USD 10bln, according to Bloomberg. Note, WH closed Monday at USD 69.10.

## BROKER MOVES

### UPGRADES

- Air Products (APD) upgraded to Overweight from Equal Weight at Wells Fargo
- Array Technologies (ARRY) upgraded to Equal Weight from Underweight at Morgan Stanley
- Broadridge (BR) upgraded to Peer Perform from Underperform at Wolfe Research
- Cactus (WHD) upgraded to Overweight from Equal Weight at Barclays
- ChampionX (CHX) upgraded to Overweight from Equal Weight at Barclays
- Consolidated Edison (ED) upgraded to Equal Weight from Underweight at Wells Fargo
- CyberArk (CYBR) upgraded to Overweight from Neutral at JPMorgan
- Dollar Tree (DLTR) upgraded to Buy from Neutral at Goldman Sachs
- FIS (FIS) upgraded to Outperform from Peer Perform at Wolfe Research
- HASI (HASI) upgraded to Overweight from Equal Weight at Morgan Stanley
- Lennox (LII) upgraded to Buy from Neutral at Mizuho
- Mondelez (MDLZ) upgraded to Outperform from Neutral at Exane BNP Paribas
- Nabors Industries (NBR) upgraded to Overweight from Equal Weight at Morgan Stanley
- Ollie's Bargain Outlet (OLLI) upgraded to Buy from Neutral at Goldman Sachs
- Orla Mining (ORLA) upgraded to Buy from Market Perform at Cormark



- Progressive (PGR) upgraded to Neutral from Sell at Citi
- Sensient (SXT) upgraded to Outperform from Neutral at Baird
- Sunnova Energy (NOVA) upgraded to Buy from Neutral at Citi
- TC Energy (TRP) upgraded to Peer Perform from Underperform at Wolfe Research
- ViaSat (VSAT) upgraded to Overweight from Neutral at JPMorgan
- Vitesse Energy (VTS) upgraded to Outperform from Market Perform at Northland
- Wex (WEX) upgraded to Outperform from Peer Perform at Wolfe Research

## DOWNGRADES

- Aldeyra (ALDX) downgraded to Perform from Outperform at Oppenheimer
- APA Corp. (APA) downgraded to Market Perform from Outperform at Bernstein
- BJ's Wholesale (BJ) downgraded to Neutral from Buy at Goldman Sachs
- Crispr Therapeutics (CRSP) downgraded to Neutral from Overweight at Cantor Fitzgerald
- Devon Energy (DVN) downgraded to Market Perform from Outperform at Bernstein
- DXC Technology (DXC) downgraded to Underperform from Peer Perform at Wolfe Research
- Editas Medicine (EDIT) downgraded to Neutral from Overweight at Cantor Fitzgerald
- Enbridge (ENB) downgraded to Underperform from Peer Perform at Wolfe Research
- EOG Resources (EOG) downgraded to Market Perform from Outperform at Bernstein
- Guild Holdings (GHLD) downgraded to Neutral from Overweight at JPMorgan
- H.B. Fuller (FUL) downgraded to Neutral from Outperform at Baird
- HSBC (HSBC) downgraded to Sell from Hold at Societe Generale
- Kosmos (KOS) downgraded to Market Perform from Outperform at Bernstein
- National Vision (EYE) downgraded to Neutral from Buy at Goldman Sachs
- NOV Inc. (NOV) downgraded to Underweight from Equal Weight at Barclays
- Oportun Financial (OPRT) downgraded to Neutral from Overweight at JPMorgan
- Patterson-UTI (PTEN) downgraded to Equal Weight from Overweight at Morgan Stanley
- Pioneer Natural (PXD) downgraded to Market Perform from Outperform at Bernstein
- ProFrac Holding (ACDC) downgraded to Equal Weight from Overweight at Morgan Stanley
- Sabra Health Care (SBRA) downgraded to Market Perform from Outperform at BMO Capital
- SunPower (SPWR) downgraded to Sell from Neutral at Citi
- SunPower (SPWR) downgraded to Underweight from Equal Weight at Morgan Stanley
- Thoughtworks (TWKS) downgraded to Peer Perform from Outperform at Wolfe Research
- WEC Energy (WEC) downgraded to Neutral from Buy at BofA

## INITIATIONS

- Applied Materials (AMAT) rated new Outperform at Raymond James
- Apollo Medical (AMEH) rated new Buy at BTIG; PT USD 45
- Amgen (AMGN) resumed Equal-Weight at Morgan Stanley; PT USD 300
- Amazon (AMZN) rated new Buy at Stifel; PT USD 173
- Bluebird Bio (BLUE) rated new Neutral at Cantor
- Coty (COTY) rated new Market Perform at Cowen; PT USD 11
- Casella Waste (CWST) rated new Outperform at Wolfe; PT USD 77.24
- D.R. Horton (DHI) rated new Overweight at Wells Fargo; PT USD 123
- Distribution Solutions (DSGR) rated new Overweight at Stephens; PT USD 38
- EBay (EBAY) rated new Hold at Stifel; PT USD 46
- Etsy (ETSY) rated new Hold at Stifel; PT USD 64
- Eyenovia (EYEN) rated new Buy at Brookline Capital; PT USD 8
- Freeport (FCX) reinstated Neutral at JPMorgan; PT USD 42
- Ferguson (FERG) rated new Equal-Weight at Wells Fargo; PT USD 175
- First Bank/Hamilton NJ (FRBA) reinstated Overweight at Piper Sandler
- GoDaddy (GDDY) rated new Perform at Oppenheimer
- Ivanhoe Electric/US (IE) rated new Overweight at JPMorgan; PT USD 18
- KB Home (KBH) rated new Equal-Weight at Wells Fargo; PT USD 49
- KLA Corp (KLAC) rated new Outperform at Raymond James
- Lennar (LEN) rated new Overweight at Wells Fargo; PT USD 123
- Lam Research (LRCX) rated new Outperform at Raymond James
- Masco (MAS) rated new Overweight at Wells Fargo; PT USD 58
- Mohawk Industries (MHK) rated new Underweight at Wells Fargo; PT USD 85
- Microsoft (MSFT) rated new Buy at Loop Capital; PT USD 425
- NCR Atleos (NATL) rated new Buy at DA Davidson; PT USD 25



- NCR (NCR) rated new Buy at DA Davidson; PT USD 24
- Owens Corning (OC) rated new Equal-Weight at Wells Fargo; PT USD 143
- PAR Technology (PAR) rated new Equal-Weight at Stephens
- Progressive (PGR) reinstated Buy at William O'Neil
- PulteGroup (PHM) rated new Overweight at Wells Fargo; PT USD 80
- Ready Capital (RC) rated new Neutral at Wedbush; PT USD 11
- Roivant Sciences (ROIV) rated new Buy at Guggenheim; PT USD 17
- Republic Services (RSG) rated new Peerperform at Wolfe
- Toll Brothers (TOL) rated new Overweight at Wells Fargo; PT USD 80
- TripAdvisor (TRIP) reinstated Buy at Goldman; PT USD 22
- Transcat (TRNS) rated new Outperform at Oppenheimer; PT USD 110
- Tyler Tech (TYL) rated new Outperform at Oppenheimer
- Wayfair (W) rated new Hold at Stifel; PT USD 51
- WM (WM) rated new Peerperform at Wolfe
- Clear Secure (YOU) reinstated Buy at Goldman; PT USD 24

## EX DIVIDENDS

- N/A

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