

THE DAY AHEAD

MARKET RECAP at 4 pm ET

Wall Street was modestly lower and the **dollar** eased from 14-year highs as investors took profits on the rally in risk assets. **Gold** was little changed as some buyers hunted for bargains after the metal's sharp slide from its November high. **Treasuries** gained slightly in light trading volumes before the Christmas holiday. **Oil** fell after Libya said it expects to boost production over the next few months.

STOCKS	Close	Chng	%Chng	Yr-high	Yr-low
DJIA	19943.75	-30.87	-0.15	19987.60	15450.60
Nasdaq	5471.43	-12.51	-0.23	5489.47	4209.76
S&P 500	2265.29	-5.47	-0.24	2277.53	1810.10
Toronto	15305.89	12.93	0.08	15414.57	11531.22
FTSE	7041.42	-2.54	-0.04	7129.83	5499.51
Eurofirst	1426.37	-3.29	-0.23	1436.12	1191.74
Nikkei	19444.49	-50.04	-0.26	19511.20	14864.01
Hang Seng	21809.80	80.74	0.37	24364.00	18278.80

TREASURIES	Yield	Price
10-year	2.5421	7 / 32
2-year	1.1961	2 / 32
5-year	2.0255	3 / 32
30-year	3.1187	20 / 32

FOREX	Last	% Chng
Euro/Dollar	1.0428	0.41
Dollar/Yen	117.48	-0.31
Sterling/Dollar	1.2357	-0.06
Dollar/CAD	1.3404	0.28
TR/HKEX RMB	96.28	0.16

COMMODITIES (\$)	Price	Chng	% chng
Front Month Crude /barrel	52.51	-0.79	-1.48
Spot gold (NY/oz)	1131.31	-0.49	-0.04
Copper U.S. (front month/lb)	0.0249	-0.0001	-0.32
Reuters/Jefferies CRB Index	191.97	0.22	0.11

S&P 500	Price	\$ Chng	% Chng
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GAINERS			
Southwestern Energy	10.98	0.60	5.78
Monster Beverage	45.37	1.83	4.20
Centene Corp	58.50	1.78	3.14
Halliburton	54.96	1.63	3.06

LOSERS			
TripAdvisor	46.28	-2.51	-5.14
Vertex Pharmaceuticals	72.60	-3.84	-5.02
Accenture Plc	117.90	-6.20	-5.00
Frontier Communications	3.29	-0.16	-4.64

Coming Up



Data from the *REUTERS/Shannon Stapleton*
Commerce

Department is likely to show that **durable goods** orders fell 4.7 percent in November after surging 4.6 percent in October. **Non-defense capital goods excluding aircraft**, a proxy for business spending, are expected to have risen 0.3 percent after gaining 0.2 percent in October. Also, the Commerce Department is expected to report that **consumer spending** increased 0.3 percent in November after a similar increase in October. The department is also expected to confirm that third-quarter

gross domestic product increased at a 3.3 percent annualized rate. Separately, the Labor Department reports **initial claims** for state unemployment benefits likely rose 2,000 to a seasonally adjusted 256,000 for the week ended Dec. 17.

Conagra Brands Inc reports second quarter results. The maker of Chef Boyardee pasta and Hunt's ketchup will be reporting its first quarter post the spin off of its Lamb Weston frozen potato business. While the company has been shoring up profits by raising prices and discounting less, slowing sales are an area of concern.

LIVECHAT – Bond markets with Reuters rates correspondent Richard Leong in New York

Reuters interest rate reporter Richard Leong delves into government bond markets. (0830 ET/1330 GMT) To join the Global Markets Forum, [click here](#)

KEY ECONOMIC EVENTS

Events	ET	Poll	Prior
Corporate profits revise for Q3	0830	--	7.6 pct
Durable goods for Nov	0830	-4.7 pct	4.6 pct
Nondefense cap ex-air for Nov	0830	0.3 pct	0.2 pct
GDP final for Q3	0830	3.3 pct	3.2 pct
GDP sales final for Q3	0830	2.8 pct	2.7 pct
Core PCE prices final for Q3	0830	1.7 pct	1.7 pct
PCE prices final for Q3	0830	1.4 pct	1.4 pct
Initial jobless claims	0830	256,000	254,000
National Activity Index for Nov	0830	--	-0.08
Monthly home price mm for Oct	0900	--	0.6 pct
Personal income mm for Nov	1000	0.3 pct	0.6 pct
Consumption, adjusted mm for Nov	1000	0.3 pct	0.3 pct
Core PCE price index mm for Nov	1000	0.1 pct	0.1 pct
Leading index change mm for Nov	1000	0.2 pct	0.1 pct



Top News

Actelion re-enters talks with J&J, sidelining Sanofi

Swiss biotech company Actelion has turned back to prospective bidder Johnson & Johnson for exclusive talks about a "strategic transaction", in an about-turn that appears to sideline rival suitor Sanofi. Actelion said in a brief statement it was in exclusive negotiations with the U.S. healthcare giant but that there could be "no assurance any transaction will result from these discussions", declining to comment further. J&J confirmed the talks in a separate statement. Actelion had told J&J before initial talks collapsed last week that it was confident it could attract an offer significantly higher than the approximately 250 Swiss francs per share the U.S. company had offered, one person familiar with the matter said.

Nokia sues Apple for infringing technology patents

Nokia said it had filed a number of lawsuits against Apple for violating 32 technology patents. The lawsuits, filed in courts in Dusseldorf, Mannheim and Munich, Germany and the U.S. District Court for the Eastern District of Texas, cover patents for displays, user interfaces, software, antennas, chipsets and video coding. "Since agreeing a license covering some patents from the Nokia Technologies portfolio in 2011, Apple has declined subsequent offers made by Nokia to license other of its patented inventions which are used by many of Apple's products," Nokia said in a statement. Apple on Tuesday had taken legal action against Acacia Research and Conversant Intellectual Property Management, accusing them of colluding with Nokia to extract and extort exorbitant revenues unfairly from Apple.

Coke moves away from AB InBev with Africa bottling deal

Coca-Cola has reached a deal to buy Anheuser-Busch InBev's majority stake in their African bottling venture for \$3.15 billion and hold onto it until it finds a new owner, the companies said. Coke and AB InBev, the world's largest makers of soft



The company's logo is seen at the headquarters of Swiss biotech company Actelion in Allschwil, Switzerland December 6. Reuters / Amd Wiegmann

drinks and beer, respectively, said in a joint statement that they had agreed the transfer of AB InBev's 54.5 percent stake in Coca-Cola Beverages Africa (CCBA), the continent's largest soft drink bottler, with operations in a dozen markets including South Africa, Kenya, Uganda and Tanzania. They also announced another deal for Coke to take other African territories not covered by CCBA, such as Zambia, Zimbabwe and Botswana, as well as bottling operations in El Salvador and Honduras. The price for those markets was not disclosed. Coke said it planned to hold all operations temporarily until they can be refranchised to other partners. "We are continuing negotiations with a number of parties who are highly qualified and interested," said Coke Chief Executive Muhtar Kent in a statement. "We look forward to refranchising these territories as soon as practical following regulatory approval."

Viacom unit head overseeing MTV, Comedy Central to leave

Longtime Viacom executive Doug Herzog, who oversees the networks Comedy Central and MTV, is leaving the company next month, according to a memo to

employees sent from chief executive Bob Bakish. Herzog, a 25-year veteran at Viacom known for helping develop such MTV hits as "The Real World" and Comedy Central's "The Daily Show," is leaving as part of a restructuring following the appointment of Bob Bakish as chief executive officer earlier this month, sources told Reuters. Bakish said in the memo that the brands in Herzog's group will now directly report to him. Bakish thanked Herzog for his "incredible contributions" to Viacom, noting his "sharp creative insight." In his own memo to his staff, Herzog reciprocated Bakish's praise, telling employees they were "in very good hands" and predicting that Viacom would once again become "the envy of its peers."

Hacker group takes over Netflix Twitter account

One of Netflix's Twitter accounts was hacked by an entity calling itself "OurMine". Several mocking tweets were sent from the Netflix US Twitter account (@netflix). "World security is shit. We are here to prove this :)," said one tweet. Some of the tweets were deleted in less than 10 minutes. The company's verified customer support twitter handle tweeted: >>>

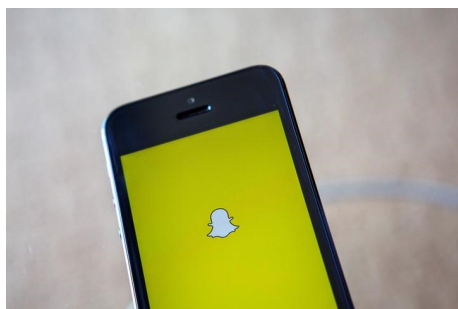
>>> "We're aware of the situation and are working to get it resolved." OurMine is well known for breaking into high-profile social media accounts, including those of Twitter CEO Jack Dorsey, Facebook's Mark Zuckerberg and media outlets Forbes and TechCrunch.

Inovio Zika vaccine evokes robust response in early human study

Inovio Pharmaceuticals said its experimental Zika vaccine induced robust immune responses in an early-stage study in human volunteers who have not been infected with the virus. There are no approved vaccines or treatments for the mosquito-borne virus, although a plethora of companies are racing to mount a defensive strategy to contain the virus. Forty volunteers - inclusive of both low- and high-dose groups - demonstrated Zika-specific immune responses after one or two vaccinations, Inovio said, adding there were no significant safety concerns after 14 weeks from the initiation of dosing. Inovio's DNA vaccine is injected along with a brief low voltage electronic pulse that induces cell membranes to open, making them more receptive, in theory, to accepting the vaccine's genetic material.

Disney will create shows for Snapchat

The Walt Disney's U.S. television arm will create shows for Snap Inc's Snapchat, Disney announced, in Snapchat's latest deal with a major U.S. media company. Financial terms were not disclosed. Unlike in Snapchat's other deals with media companies, where any ad sales responsibilities would be shared across both companies, Disney will control and sell all advertising for the shows it



REUTERS/Eric Thayer

produces for Snapchat. The agreement with the Disney-ABC Television Group, which includes the ABC broadcast network and cable channel Freeform, begins in January with a series around ABC's popular "The Bachelor" franchise. The recap series, "Watch Party: The Bachelor" will debut Jan. 3, a day after the ABC show begins its 21st season. Future shows based on other Disney-ABC properties will roll out on Snapchat later.

Goldman Sachs to pay \$120 million over attempted ISDAFIX benchmark manipulation

Goldman Sachs will pay a \$120 million penalty to resolve civil charges that it attempted to manipulate a global benchmark for interest rate products known on Wall Street as "ISDAFIX," U.S. derivatives regulators said. Goldman Sachs, which was also accused by the Commodity Futures Trading Commission of making false reports on the benchmark rate, will settle the case without admitting or denying the charges. The CFTC said that emails and audio recordings showed traders at Goldman discussing their plans to try to move the benchmark rate in directions that benefited their own positions. They tried to skew the bank's

submissions used to help come up with the "print," or the reference rate that is captured each day at 11 a.m., the CFTC said. They also traded various products at the 11 a.m. fixing time "in a manner deliberately designed" to influence the published rate, the CFTC added.

Facebook says government requests for account data rise 27 percent

Facebook said that government requests for user account data rose 27 percent in the first half of 2016 compared to the second half of last year, with U.S. law enforcement agencies topping the list. Government requests for account data globally rose to 59,229 from 46,710 and more than half contained a non-disclosure order that prohibited the social networking website from notifying users. Requests for content restriction, the number of items restricted for violating local laws, decreased by 83 percent from the second half of 2015, Facebook said in a blog post. The company received 38,675 preservation requests for 67,129 accounts.

Japan's TDK to buy U.S. chip maker InvenSense for \$1.3 billion

Japanese electronic parts maker TDK said it had agreed to buy InvenSense, a U.S. chip maker that produces motion sensors for Apple and Samsung Electronics, for \$1.33 billion. In a statement, TDK said it will pay \$13 per share to buy all of InvenSense. The deal would allow TDK, already a major smartphone components supplier, to boost its sensor technology offerings. InvenSense designs gyroscopes which help smartphones calculate motion, enabling augmented reality games such as Pokemon Go.

KEY RESULTS

Company Name*	Quarter	ET	Smart Estimates	EPS Estimates**	Year Ago	Rev Estimates (mln)
Cintas	Q2	AMC	\$1.16	\$1.15	\$1.03	\$1,292.06
Conagra Brands	Q2	09:30	\$0.44	\$0.45	\$0.58	\$2,107.21

*Includes companies on S&P 500 index. **Estimates may be updated or revised; release times based on company guidance or past practice.

EPS and Revenue estimates are according to Thomson Reuters I/B/E/S. Smart Estimates are according to Thomson Reuters StarMine.





Big-wave surfer Tom Butler of Britain drops in on a large wave during Nazare Challenge championship at Praia do Norte in Nazare, Portugal, December 20. REUTERS/Rafael Marchante

Insight and Analysis

A volatile calm - the paradox of 2016 financial markets

Traditional measures of volatility at historic lows and Wall Street stocks at new record highs went hand-in-hand in 2016 with traders fretting about bouts of wild stock-price swings and currency flash-crashes. The past year has been nothing if not paradoxical for financial markets - a landscape that will probably persist in 2017. The proliferation of automated trading and passive investing, extreme levels of speculative positioning in an increasingly regulated broking world suggest investors should brace for periodic turbulence even if markets are mostly calm. An analysis of intraday volatility across major equity, bond and currency markets shows that episodes of sudden, extreme market volatility has become more commonplace in the last two years.

Yahoo email scan shows U.S. spy push to recast constitutional privacy

Yahoo's secret scanning of customer emails at the behest of a U.S. spy agency is part of a growing push by officials to loosen constitutional protections Americans have against arbitrary governmental searches, according to legal documents and people briefed on closed court hearings. The order on Yahoo from the secret Foreign Intelligence Surveillance Court last year resulted from the government's drive to change decades of interpretation of the U.S. Constitution's Fourth Amendment right of people to be secure against "unreasonable searches and seizures," intelligence officials and others familiar with the strategy told Reuters. The unifying idea is to move the focus of courts toward what is "reasonable" overall.

Investors see Biogen CEO choice as friendly to potential takeover

The surprise selection of Michel Vounatsos to run Biogen Inc signals a shift toward a more commercial management focus after years of targeting ambitious scientific gains, and likely keeps the U.S. biotech in play as a takeover target. Vounatsos joined Biogen as chief commercial officer in April after 20 years leading various commercial operations at Merck & Co. Three months later, Biogen CEO George Scangos said he would step down, initiating a search for his successor that concluded with Monday's announcement that Vounatsos would take the helm Jan. 6. Biogen has been subject of takeover speculation since August, when the Wall Street Journal reported it had received early stage overtures from several bidders, including Allergan Plc and Merck.

CANADA

Coming Up

Canada's November **inflation** report will include three new measures of core inflation introduced by the Bank of Canada. With total annual inflation forecast to slip to 1.4 percent the measures will be parsed to see if underlying inflation is more robust than the all-items figure

suggests. Separately, the country's October **retail sales** are expected to have cooled to 0.3 percent from the previous month's 0.6 percent, in line with expectations that broader economic growth slowed in the fourth quarter.

TSE's S&P/TSX composite

GAINERS

NuVista Energy	6.87	0.35	5.37
Fairfax Financial	666.00	31.00	4.88
Eldorado Gold	4.12	0.16	4.04

LOSERS

Prometic Life Sciences	1.59	-0.07	-4.22
Valeant Pharmaceuticals	19.02	-0.61	-3.11
Jean Coutu Group	20.75	-0.61	-2.86

MARKET MONITOR

Canada's **main stock index** rose for a fifth straight day on Wednesday, as gains for industrials and financials offset losses for the materials group. **SNC-Lavalin** rose 2.5 percent. **Fairfax Financial** advanced 4.88 percent. **Barrick Gold** fell 0.99 percent. Telecom company **BCE** advanced 0.14 percent. **BlackBerry** fell 2.4 percent. The **Toronto Stock Exchange's S&P/TSX composite index** edged up 0.08 percent to 15,305.89.

The **dollar** rose 0.27 percent against its Canadian counterpart to C\$1.3403.

Top News

Canada's Trudeau says Trump 'very supportive' of Keystone XL pipeline

Canadian Prime Minister Justin Trudeau said that U.S. President-elect Donald Trump was "very supportive" of TransCanada's proposed Keystone XL crude oil pipeline in their first conversation after the U.S. election. The 830,000-barrel-per-day Keystone XL pipeline would carry oil sands crude from Alberta to the U.S. Midwest, but the Obama administration rejected it last year. "He actually brought up Keystone XL and indicated that he was very supportive of it," Trudeau told the audience at an event in Calgary, Canada's oil capital. "I will work with the new administration when it gets sworn in ... I'm confident that the right decisions will be taken." Trudeau, who also supports Keystone XL, said he also saw "extraordinary opportunities" for Canada if the United States takes a step back from tackling climate change, given the business opportunities that will probably arise from new global environmental policies.

WTO rules largely in favour of Taiwan in steel row with Canada

A dispute panel of the World Trade Organization (WTO) largely ruled in favour of Taiwan on its complaint over anti-dumping duties imposed by Canada on some of its steel goods. The ruling, related to certain carbon steel welded pipes and certain provisions of Canada's underlying legislation, found that Canada had contravened WTO's Anti-Dumping Agreement but that Chinese Taipei had failed to establish some points. Both sides have 60 days to decide whether to appeal any of the panel's findings.

G3 Global to proceed with grain terminal at Vancouver port

Canada's G3 Global will build a grain terminal at Port Metro Vancouver by 2020, increasing the flow of wheat and canola to Asia and Latin America, the company said. The Winnipeg-based partnership of Saudi Arabian agriculture company SALIC and U.S. grain handler Bunge had been considering the project, which will cost more than C\$500 million, since last year.

The terminal, capable of handling 8 million tonnes of crops annually on the north shore of Burrard Inlet, would be the first new grain facility in nearly 50 years at the port, Canada's busiest. G3's terminal will include a unique loop track, allowing three 134-car trains to unload without stopping.

Canadian Mint joins private blockchain platform

The Royal Canadian Mint has joined a blockchain platform run by Goldmoney, the first time in the world that mint-vaulted bullion has been traded on such a private digital ledger, the Canadian fintech company said. The deal "lays the groundwork for further integrations by other countries and other mints," Roy Sebag, Goldmoney's chief executive officer, said in a phone interview. The Mint plans to extend its relationship with Goldmoney in order to promote Canada's "leadership role in the global precious metal industry," spokesman John Moore said.



WEALTH NEWS

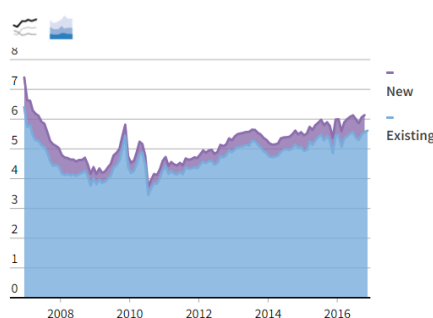
HOME RESALES CLIMB

U.S. home sales near 10-year high as mortgage rates rise

U.S. home resales unexpectedly rose in November, reaching their highest level in nearly 10 years, likely as buyers rushed into the market to lock in low interest rates in anticipation of further increases in borrowing costs. The third straight monthly increase in existing home sales, reported by the National Association of Realtors, suggested housing would contribute to economic growth in the fourth quarter after being a drag in the previous two quarters. Existing home sales increased 0.7 percent to an annual rate of 5.61 million units last month, the highest sales pace since February 2007. October's sales pace was revised down to 5.57 million units from the previously reported 5.60 million units.

U.S. home sales

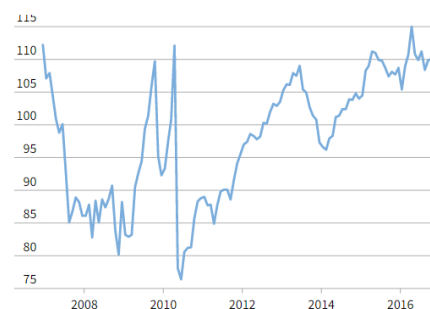
EXISTING AND NEW HOME SALES
Million units - SAAR*



*SAAR: Seasonally-adjusted annualized rate
Sources: U.S. Census Bureau; Thomson Reuters Datastream, National Association of Realtors
By Jiachuan Wu and Stephen Culp | REUTERS GRAPHICS

Click on the chart for a detailed and interactive graphic.

PENDING HOME SALES INDEX



INSIDER TRADING PENALTY

Former BlackRock fund manager jailed for 12 months for insider trading

A former star fund manager in the London office of asset manager BlackRock was sentenced to 12 months in jail after pleading guilty to two counts of insider dealing.

PAY-TO-PLAY CORRUPTION

N.Y. pension fund manager, brokers charged in pay-to-play scheme

U.S. prosecutors accused a former portfolio manager at New York state's retirement fund, the third largest in the United States, of steering \$2 billion in trades to two brokerage firms in exchange for gifts such as cash, drugs and prostitutes.

CYBER SECURITY REGULATION

NY financial regulator to delay cyber security rules

New York's financial regulator will delay an anticipated Jan. 1 deadline for banks and insurers doing business in the state to comply with controversial cyber security rules, a person familiar with the matter said.

WELLS FARGO FINED

FINRA fines Wells Fargo, others \$14 million for records' changeable format

The Financial Industry Regulatory Authority said it fined several Wells Fargo businesses, RBC Capital Markets, LPL Financial and others a combined \$14.4 million for record-keeping problems that may have allowed company and customer documents to be altered.

CRUDE STOCKS RISE

U.S. crude stocks rise unexpectedly, product inventories down -EIA

U.S. crude stocks rose unexpectedly last week, but gasoline and distillate inventories were lower, the U.S. Energy Information Administration said.

BLOCKCHAIN SYSTEM TEST

State Street tests blockchain system for securities lending

State Street has tested a blockchain system that it hopes can be used to streamline the securities lending process as the financial industry accelerates efforts to adopt the emerging technology.



An Afghan officer reacts in front of a burning pile of seized narcotics and alcoholic drinks, in the outskirts of Kabul. December 20. REUTERS/Omar Sobhani

The Day Ahead - North America is compiled by Nayyar Rasheed and Riniki Sanyal in Bengaluru.

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