

# MORNING NEWS CALL

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U.S. Edition

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## Earnings Roundup

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### TOP NEWS

- **Intel tumbles on dismal forecast, weak PC chip demand**

Intel slumped reeling from a bleak first-quarter revenue outlook as the chipmaker struggles to navigate uncertain demand in traditional computing markets and attempts to play catch up in the AI race.

- **Musk brain implant company violated US hazardous material transport rules -documents**

Elon Musk's brain-implant company Neuralink was fined for violating U.S. Department of Transportation (DOT) rules regarding the movement of hazardous materials, according to records from the federal agency reviewed by Reuters.

- **How GM's Cruise robotaxi tech failures led it to drag pedestrian 20 feet**

A General Motors Cruise robotaxi that struck and dragged a pedestrian 20 feet (6 meters) in an October accident made a number of technical errors that exacerbated its failings after the collision, an analysis commissioned by GM showed on Thursday.

- **Tesla to recall nearly 200,000 vehicles in US – NHTSA**

Tesla is recalling nearly 200,000 Model S, X, and Y vehicles in the U.S. due to a software malfunction that could obstruct drivers' visibility while reversing, the National Highway Traffic Safety Administration (NHTSA) said.

- **American Express misses profit estimates on higher loan loss provisions**

American Express missed estimates for fourth-quarter profit as the credit card giant braced for a jump in potential loan defaults, underscoring the hit to customers' financial health from elevated interest rates.

### BEFORE THE BELL

**Wall Street futures** fell as chip stocks sagged on a dour revenue forecast from Intel, while a crucial inflation print that could influence the Federal Reserve's monetary policy outlook topped investors' watch list. The personal consumption expenditures (PCE) price index is due later in the day. **European equities** gained, boosted by upbeat quarterly updates from luxury group LVMH and spirits maker Remy Cointreau. In Asia, **Chinese stocks** dropped as investors locked in profits and cautiously awaited more details on the stimulus plans, while Japan's **Nikkei** slumped as chip-sector shares tumbled in line with U.S. peers. The **dollar** edged lower, while **gold** prices rose. **Oil** prices slipped on the prospect that oil shipping disruptions in the Red Sea may ease as Chinese officials have asked Iran to help rein in attacks on ships by the Houthis.

## STOCKS TO WATCH

**Results**

- **American Express Co:** The credit card giant missed estimates for fourth-quarter profit as the company braced for a jump in potential loan defaults, underscoring the hit to customers' financial health from elevated interest rates. AmEx raised its loan loss provisions for the fourth quarter to \$1.44 billion, compared with \$1.03 billion a year earlier. The company posted a profit of \$2.62 per share for the three months ended Dec. 31, up from \$2.07 per share. However, analysts had expected a profit of \$2.64 per share. American Express's total revenue for the fourth quarter rose 11% to \$15.80 billion. The company forecast 2024 earnings per share of \$12.65 to \$13.15, and net revenue growth between 9% and 11%.
- **Autoliv Inc:** The Swedish company, which is the world's largest producer of airbags and seatbelts, reported a fourth-quarter operating profit above expectations and said it expected an adjusted operating margin of about 10.5% for the full year of 2024. Operating profit adjusted for litigation and other non-recurring costs was \$334 million, up from \$233 million in the same quarter a year ago. That beat analysts polled by LSEG's estimates of \$321 million. The firm said it expected an adjusted operating margin of around 10.5% in 2024, up from the 6.6% achieved in 2023. It expects 2024 organic sales growth of around 5%.
- **Arthur J. Gallagher & Co:** The firm reported a rise in fourth-quarter adjusted profit on Thursday, as the insurer brokerage earned more commissions and fees. Resilient demand for insurance products helped its brokerage business, which aids its clients in finding the best coverage while mitigating price increases. The company's commissions increased 15% compared with a year earlier to \$1.33 billion in the quarter, while fees rose 22.6% to \$802.4 million. Total revenue rose 19.9% to \$2.43 billion during the quarter. Arthur J. Gallagher's adjusted net earnings rose to \$408.4 million, or \$1.85 per share, for the three months ended Dec. 31, from \$321.6 million, or \$1.49 per share, a year earlier.
- **Capital One Financial Corp:** The company posted a 43% drop in its fourth-quarter profit on Thursday, as the credit card lender set aside more funds to cover souring loans and recorded a charge related to replenishing a government deposit insurance fund. Warren Buffett-backed Capital One also recorded a \$289 million charge related to replenishing the Federal Deposit Insurance Corporation's (FDIC) deposit insurance fund, which was drained of \$16 billion after Silicon Valley Bank and Signature Bank failed last year. Capital One's net interest income climbed 4% to \$7.52 billion during the quarter. Its net income fell to \$706 million, or \$1.67 per share, for the three months ended Dec. 31, compared with \$1.23 billion, or \$3.03 per share, a year earlier.
- **Intel Corp:** The tech giant on Thursday forecast revenue for the first quarter that could miss market estimates by more than \$2 billion, as it grapples with uncertain demand for its chips used in the traditional server and personal computer markets. In an interview, Chief Executive Officer Pat Gelsinger said that the company's core businesses of PCs and servers were hitting seasonal low demand at the same time as noncore businesses such as auto chip firm Mobileye. The chipmaker expects adjusted first-quarter revenue in the range of \$12.2 billion-\$13.2 billion, compared with analysts' average estimate of \$14.50 billion, according to LSEG data. Intel forecast first-quarter profit of 13 cents a share, excluding one-time items. Analysts expected 33 cents a share. Heavy investments have toppled Intel's gross margin, which fell to the mid-30s earlier in 2023, from prior highs of over 60%. Intel reported a fourth-quarter gross margin of 48.8%. Meanwhile, Intel slumped reeling from a bleak first-quarter revenue outlook as the chipmaker struggles to navigate uncertain demand in traditional computing markets and attempts to play catch up in the AI race.
- **KLA Corp:** the chipmaking tools manufacturer forecast third-quarter revenue below Wall Street estimates on Thursday, signaling sluggish demand in the electronics segment. Shares of the California-based company fell in after-market trading. CEO Rick Wallace said market conditions "remain challenging in the near term". "We expect that the second half of the calendar year will be stronger than the first half for WFE (wafer fabrication equipment) investment," CFO Bren Higgins said in a post-earnings call. KLA expects revenue of \$2.30 billion plus or minus \$125 million for the third quarter ending in March, compared with analysts' average estimate of \$2.46 billion. It expects third-quarter adjusted profit per share of \$5.26 plus or minus \$0.60, compared with estimates of \$5.85. The company posted second-quarter revenue of \$2.49 billion, beating estimates of \$2.46 billion. Excluding items, profit per share came in at \$6.16, beating estimates of \$5.91.
- **L3Harris Technologies Inc:** The company beat estimates for fourth-quarter profit on Thursday, benefiting from higher weapons demand and increased global defense spending amid escalating security concerns. L3Harris expects its 2024 sales to be between \$20.7 billion and \$21.3 billion, below LSEG estimates of \$21.45 billion, sending its shares down about in extended trading. On an adjusted basis, the defense contractor earned \$3.35 per share, compared with analysts' estimate of \$3.31 per share. Its overall sales rose 17% during the quarter ended Dec. 29 to \$5.34 billion, versus analysts' expectations of \$5.29 billion.

• **Levi Strauss & Co:** The clothing company forecast annual sales and profit below Wall Street expectations on Thursday, and said it would cut 10% to 15% of global corporate jobs as the denim maker seeks to rein in costs amid weakness in its wholesale business. Levi attributed the weak forecast to plans to exit its Denizen brand and cut back on off-price sales, as well as weaker foreign currency exchange rates and the final liquidation of its Russia business. The company also missed fourth-quarter revenue estimates. Sales in Levi's total wholesale business dipped 3% on a constant-currency basis in the quarter ended Nov. 26. The layoffs are set to occur in the first half of 2024, and, coupled with more DTC-focused initiatives, would generate net cost savings of \$100 million in 2024. The company projected fiscal 2024 net revenue growth of 1% to 3%, compared with analysts' estimate for a 4.7% increase to \$6.49 billion. Levi's expects adjusted per-share profit of \$1.15 to \$1.25, lower than estimates of \$1.33.

• **T-Mobile US Inc:** The wireless carrier forecast monthly bill-paying phone subscriber growth for the year above estimates on Thursday, banking on its wide 5G coverage and promotional offers to draw in consumers. Shares of the company, however, fell in extended trading, after a miss on profit target for the fourth quarter. The company expects to add 5 million to 5.5 million subscribers in the full-year 2024, beating Wall Street expectations of 2.67 million, according to FactSet. "We have growth opportunities in other areas like smaller markets and rural areas, which is 40% of the U.S. population, and where we continue to see growth," Chief Financial Officer Peter Osvaldik said in an interview. New bundled plans like Go5G Next and Go5G Plus also helped attract consumers, he added. T-Mobile posted earnings per share of \$1.67, missing estimates of \$1.9. Total revenue grew 1% to \$20.48 billion, higher than estimates of \$19.64 billion.

• **Visa Inc:** The payment processor's tepid forecast for current-quarter revenue growth on Thursday eclipsed a market-beating earnings report that was powered by customers swiping their cards for big purchases during the holiday shopping period and robust travel. Even so, executives at Visa struck an optimistic tone over the outlook for spending across the year. Severe winter storms that hit the U.S. have weighed on volumes at the start of the year, CFO Chris Suh said in an interview with Reuters but added that the company is not worried about any broader impact and expects it to get smoothed out over the quarter. Adjusted profit of \$2.41 per share sailed past analysts' expectations of \$2.34. Suh added that travel in key markets continued to improve, including China, where it is yet to return to pre-pandemic levels, but is seeing steady sequential recovery. Payments volume increased 8% in the first quarter on a constant-dollar basis while cross-border volume excluding intra-Europe, a gauge of international travel demand, surged 16%.

• **Western Digital Corp:** The data storage products maker posted a wider-than-expected quarterly adjusted loss on Thursday, due to the impact of structural changes the company implemented in its flash and HDD businesses. Shares of the company were down in after-market trading. The company said its second-quarter loss included \$156 million of underutilization-related charges in Flash and HDD. On an adjusted basis, the company reported a loss of 69 cents per share, missing analysts' average estimate of a loss of \$1.31 per share. Western Digital expects current-quarter adjusted profit ranging from a loss of \$0.10 to a profit of \$0.20 per share. The company reported revenue of \$3.03 billion for the quarter ended Dec. 29. Analysts had expected revenue of \$3.39 billion.

• **Weyerhaeuser Co:** The timber company posted a lower adjusted profit on Thursday, hit by weakness in its wood products business. The Seattle, Washington-based firm reported an adjusted net profit of \$121 million, or 16 cents per share, for the fourth quarter ended Dec. 31, which was lower than the \$171 million, or 24 cents, reported in the prior year quarter. "Wood Products results highlighted the stark contrast between the favorability of the pricing backdrop in OSB and EWP, which delivered healthy margins, and lumber, where Weyerhaeuser was unprofitable in the quarter," said D.A. Davidson analyst Kurt Yinger. Net sales in the wood products segment fell 2.2% to \$1.30 billion from \$1.33 billion, a year earlier. Net sales in the timberlands segment for the quarter were \$534 million as compared to \$548 million a year earlier.

## Moves

• **JPMorgan Chase & Co:** The bank shuffled executives in its investment banking and consumer units on Thursday, giving them more experience running different businesses as Wall Street focuses on succession plans for CEO Jamie Dimon. The largest U.S. lender appointed Marianne Lake sole CEO of the consumer division, which was previously run together by Lake and Jennifer Piepszak, according to a filing. Piepszak will become co-CEO of the company's merged commercial and investment bank alongside Troy Rohrbaugh, who previously led trading and securities services. JPMorgan also announced a raft of other leadership changes in the filing on Thursday. Viswas Raghavan will become sole head of global investment banking, while his co-head Jim Casey will take on an unspecified new role at JPMorgan that will be announced soon. Jason Sippel and Pranav Thakur will become co-heads of trading. Marc Badrichani, co-head of markets and securities services, will leave the bank.

• **UBS Group AG:** Former asset management head of Credit Suisse in Asia Pacific, Min Huang, is leaving as the bank embarks on reviewing its China business post global leadership changes, three sources with knowledge of the matter said. Huang was appointed China client coverage head for UBS Asset Management in June last year when the Swiss banking giant unveiled regional leaders. UBS declined to comment and Huang did not immediately respond to Reuters request for comment. The departure of Huang comes as UBS reviews its China setup amid a global leadership change and as it consolidates senior-rank managers in asset management in the market, said the sources who declined to be named as the information is confidential.

### ***In Other News***

• **Alphabet Inc, Amazon.com Inc & Microsoft Corp:** The U.S. Federal Trade Commission said on Thursday it had ordered OpenAI, Anthropic and the three companies to provide information on recent investments and partnerships involving generative AI companies and cloud service providers. The extensive document request seeks details on how the partnerships with Big Tech influence strategy and "decisions around the pricing of products and services; decisions around the granting of access to products and services; and decisions around personnel." The agency, which also wants information on exclusivity agreements, said the companies have 45 days to respond to the orders. In a statement, Microsoft said it would provide the FTC information to complete its review and that collaboration by American companies put the U.S. ahead in AI. Google said it hoped the inquiry would "shine a bright light on companies" that are less open than it is and that have a "long history of locking-in customers."

• **Amazon.com Inc:** The company's AWS said on Thursday it plans to invest \$10 billion to build two data center complexes in Mississippi, its latest capacity expansion amid growing demand for cloud services as more firms adopt new artificial intelligence technologies. AWS' Mississippi expansion plan comes days after it announced a more than \$15 billion investment in Japan, and Google's move to set up a data center just outside of London for \$1 billion. In coordination with the Madison County Economic Development Authority (MCEDA), AWS will establish multiple data center units in two Madison County industrial parks, which is projected to create at least 1,000 new jobs in the state, Amazon said in a blog.

• **BHP Group Ltd & Vale SA:** The Australian miner said it would review a Brazilian Federal Court decision regarding a \$31.53 billion government claim over the 2015 collapse of Fundao dam owned by Samarco, its joint venture with Vale. The company said its unit BHP Brasil had not received a decision from the court, adding that the group would review its implication, potential for an appeal and any potential impact on its provision related to the dam's collapse. The court has issued an interlocutory decision ordering Vale, BHP and Samarco to pay \$9.67 billion in collective moral damages for the 2015 tailings dam burst that killed 19 people and led to severe pollution of the Rio Doce river. This is one of the categories of damages sought in the \$31.53 billion claim by the Federal Public Prosecution Office.

• **Boeing Co:** The plane maker's troubles with its 737 MAX jets are upending the aerospace industry's 2024 plans, changing airlines' fleet and expansion goals as U.S. regulators froze production of the best-selling jets. The FAA on Wednesday froze increases in production of the single-aisle 737 MAX due to the issues, which have frustrated executives dependent on Boeing, one of only two major global plane manufacturers. The FAA's unprecedented intervention in production schedules could further delay some deliveries of new planes to airlines and hurt suppliers already reeling from an earlier MAX crisis and the pandemic. Meanwhile, Boeing's production difficulties will "get resolved", its 737 MAX 10 aircraft will get certified and the impact of U.S. regulators freezing a planned production ramp-up will be minimal this year, the head of major customer Avolon said.

• **Equinor ASA:** The Norway-based energy company maintains an ambition to reach 12-16 gigawatts (GW) of installed renewable energy capacity by 2030, despite dropping out of some projects in New York, its renewables head told Reuters. "The 12 to 16 gigawatt ambition by 2030, we are not changing that now," Paal Eitrheim said in an interview. Late on Thursday, the company announced an asset swap with former partner BP for offshore wind projects in the U.S. state of New York, effectively only moving the 0.8-GW Empire Wind 1 project, forward. Equinor's project pipeline has developed in recent years to allow the group to maintain its ambition even with the latest changes, Eitrheim said. The company will provide more details at its capital markets day planned for Feb. 7, he added.

• **Eversource Energy:** Denmark's Orsted said on Thursday it had submitted a new proposal with the energy company for Sunrise Wind in response to New York's latest offshore wind solicitation. Sunrise Wind is a 924 MW offshore wind farm that would deliver power to New York and is expected to be completed by 2026, Orsted said. Under the updated proposal, Orsted reached an agreement to acquire Eversource's 50% share in the Sunrise Wind project if awarded a contract in New York's fourth offshore wind solicitation. If Orsted wins the bid, it would become the sole owner of Sunrise Wind, while Eversource would lead the project's onshore construction, the Danish renewable energy firm said.



- **Grupo Televisa SAB:** The Mexican media company is set to launch the spin-off of its sports, gaming, and some editorial operations in February, to focus in its core business, documents published by the country's main stock exchange on Thursday showed. The new entity, Aguilas, shares the popular name for Televisa's Mexican soccer club. It will start trading with the ticker symbol AGUILAS.CPOs on Feb. 20. The new company will offer 340.6 billion shares, the stock exchange said.
- **McKesson Corp, Cardinal Health Inc & Cencora Inc:** A West Virginia city and county urged a federal appeals court on Thursday to revive their \$2.5 billion lawsuit accusing the nation's three largest drug distributors of causing an opioid epidemic by flooding them with pills. David Frederick, a lawyer for Huntington and Cabell County, the county the city is located in, told a three-judge panel of the 4th U.S. Circuit Court of Appeals that a federal judge misunderstood the law when he rejected the lawsuit in 2022, following a non-jury trial. U.S. District Judge David Faber had ruled that leading drug wholesalers McKesson, Cardinal Health and Cencora (formerly called AmerisourceBergen) could not be held liable for shipping drugs in response to doctors' prescriptions, but Frederick said the federal Controlled Substance Act required them to look into why Huntington and Cabell had opioid prescriptions "orders of magnitude" larger than the national average.
- **PTC Therapeutics Inc:** The company said on Thursday the European health regulator's advisory panel reaffirmed a negative opinion for its drug used to treat an inherited progressive muscle-wasting disorder, sending its shares down over in extended trading. The drug, Translarna, had received conditional approval in the European Union in 2014 to treat ambulatory children aged five years and older with Duchenne muscular dystrophy (DMD) expressing "nonsense mutation", which prematurely ends the translation of a gene into a protein. The negative opinion issued by the Committee for Medicinal Products for Human Use (CHMP) will result in the withdrawal of the drug in Europe, the company said, adding that the European Commission will ratify the opinion and remove the drug from the market within 67 days. The CHMP had issued a negative opinion in September on the renewal and conversion of the conditional authorization to full marketing authorization of Translarna.
- **Salesforce Inc:** The software firm is laying off about 700 employees, or roughly 1% of its global workforce, the Wall Street Journal reported on Friday, in the latest round of job cuts to hit the tech industry. However, the report added that Salesforce still has 1,000 jobs open across the company, implying that the move could be more of a routine adjusting of the company's workforce, the report said, citing a source. Salesforce has already trimmed its workforce last year when it cut jobs by 10% and closed some offices after rapid pandemic hiring left it with a bloated workforce. Salesforce also said in September that it would hire more than 3,000 people after cutting jobs in January last year to drive up margins.
- **Tesla Inc:** The EV maker is recalling nearly 200,000 Model S, X, and Y vehicles in the U.S. due to a rearview image not displaying while the vehicles are reversing, the National Highway Traffic Safety Administration (NHTSA) said. The malfunction, caused by software instability, might decrease the driver's visibility and increase the risk of a crash, the regulator said. Tesla has released a free, over-the-air (OTA) software update to address the issue, according to the NHTSA. The recall affects the S, Y, and X models from 2023, Tesla said. Meanwhile, Tesla tumbled on Thursday after CEO Elon Musk warned sales growth would slow this year despite price cuts that have already hurt margins at the world's most valuable automaker and fueled investor concerns about soft demand and Chinese competition.
- **Vodafone Group Plc:** Britain's antitrust watchdog said it had formally launched an investigation into the \$19 billion merger between the company's UK operation and CK Hutchison's Three UK, reviewing whether the deal will hurt competition. The Competition and Markets Authority (CMA) now has 40 working days to investigate, or until March 22, by which time it must decide whether to progress its review to an in-depth, phase 2 probe, which lasts 24 weeks. "This deal would bring together two of the major players in the UK telecommunications market, which is critical to millions of everyday customers, businesses and the wider economy," CMA Chief Executive Sarah Cardell said. "The CMA will assess how this tie-up between rival networks could impact competition before deciding next steps."
- **Wells Fargo & Co:** The bank said on Thursday it has raised CEO Charles Scharf's total compensation for 2023 to \$29 million. The compensation consists of a base salary of \$2.5 million and a total variable compensation of \$26.5 million, which includes \$6.6 million in cash and \$19.9 million in long-term equity, the bank said in a regulatory filing. The bank's board expressed strong confidence in Scharf's leadership in "driving the continued transformation of Wells Fargo". Scharf's compensation for 2022 stood at \$24.5 million.

**GRAPHICS****Five signs the Fed's pivot is underway before even a single rate cut**

Federal Reserve policymakers have signaled they won't cut U.S. interest rates just yet; economists think they will wait until June, given ongoing strength in household spending and uncertainty over the economic outlook, and market bets now point to the April 30-May 1 policy meeting.

**ANALYSTS' RECOMMENDATION**

- **Capital One Financial Corp:** Piper Sandler raises target price to \$126 from \$123, stating the management continues to lean into marketing based on significant opportunities within the card market.
- **Comcast Corp:** TD Cowen raises price target to \$50 from \$49, as the company posted better-than-expected fourth-quarter results.
- **Intel Corp:** Wells Fargo cuts target price to \$48 from \$52, based on the continued uncertainties regarding the company's ability to drive to a sustainable gross margin and positive free cash flow.
- **Union Pacific Corp:** JPMorgan cuts target price to \$237 from \$239, believing that the company may experience a volume headwind in 2024 in international intermodal.
- **Visa Inc:** Wedbush raises target price to \$280 from \$270, saying the company's first-quarter results remain resilient given ongoing global macro volatility.

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

0830 **Personal Income mm** for Dec: Expected 0.3%; Prior 0.4%  
 0830 **Personal Consumption Real mm** for Dec: Prior 0.3%  
 0830 **Consumption, Adjusted mm** for Dec: Expected 0.4%; Prior 0.2%  
 0830 **Core PCE Price Index mm** for Dec: Expected 0.2%; Prior 0.1%  
 0830 **Core PCE Price Index yy** for Dec: Expected 3.0%; Prior 3.2%  
 0830 **PCE Price Index mm** for Dec: Expected 0.2%; Prior -0.1%  
 0830 **PCE Price Index yy** for Dec: Expected 2.6%; Prior 2.6%  
 0830 **PCE Prices excluding food, energy & housing** for Dec: Prior 0.0%  
 0830 **PCE Services Price excluding energy & housing** for Dec: Prior 0.1%  
 0900 **Dallas Fed PCE** for Dec: Prior 1.5%  
 1000 **Pending Homes Index** for Dec: Prior 71.6  
 1000 **Pending Sales Change mm** for Dec: Expected 1.5%; Prior 0.0%

**COMPANIES REPORTING RESULTS**

**Norfolk Southern Corp:** Expected Q4 earnings of \$2.87 per share

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

0830 **American Express Co:** Q4 earnings conference call  
 0830 **Colgate-Palmolive Co:** Q4 earnings conference call  
 0830 **L3Harris Technologies Inc:** Q4 earnings conference call  
 0845 **Norfolk Southern Corp:** Q4 earnings conference call  
 1000 **Weyerhaeuser Co:** Q4 earnings conference call

**EX-DIVIDENDS**

**Southern Co:** Amount \$0.30

*(All analysts' estimates are according to LSEG IBES data)*