

Tuesday, November 23, 2021

## TOP NEWS TODAY

*News and Insight from Dow Jones and The Wall Street Journal.*

### THE NUMBERS

		Change
DJIA	35,813.80	194.55
S&P 500	4,690.70	7.76
NASDAQ	15,775.14	-79.62
EUR/US	\$1.1251	\$0.0016
Gold	\$1,790.30	-\$16.00
NYMEX Crude	\$78.76	\$2.01
US 10-Year Note	1.68	0.14

Powered by Dow Jones Research, FactSet, Eurostat.

### MARKET WRAPS

**STOCKS:** U.S. stocks finished mixed as rising Treasury yields weighed on the tech sector. Gains for the financial and energy sectors pushed the S&P 500 into the green after a volatile session.

**TREASURYS:** The yield on the 10-year Treasury note rose slightly to 1.665%, nearing new 52-week highs, amid expectations for increased inflation and monetary tightening from the Federal Reserve.

**FOREX:** The U.S. dollar ticked down, but remained close to a 52-week high, reflecting inflation expectations.

**COMMODITIES:** A case of “sell the rumor, buy the fact” appeared to be in play Tuesday as oil futures bounced higher after the White House announced the U.S. and other countries

would release crude from strategic reserves in an effort to push down energy prices. The gains followed a prolonged slide sparked by speculation the Biden administration would draw on the strategic petroleum reserve.

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## HEADLINES

### U.S. Joins With China, Other Nations in Tapping Oil Reserves

WASHINGTON—The U.S. and five other countries including China will tap their national strategic petroleum reserves in an attempt to bring down gasoline prices that have become a sore spot with motorists and a big contributor to inflation, the White House said.



The release had been anticipated for weeks as the White House grappled with how to address rising prices for gasoline, groceries and other consumer products that have clouded prospects for President Biden’s agenda.

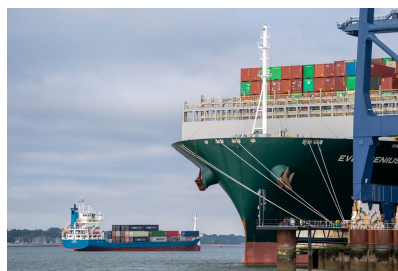
“This a problem—not just in the United States but around the world,” Mr. Biden said of the high gas prices Tuesday afternoon. “We’re taking action.”

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### Strong Demand, Continued Shortages Push Up Prices in U.S. and Europe

Firms on both sides of the Atlantic reported robust demand in November that, combined with persistent shortages of parts and labor, has led to record price increases.



In the U.S. the lifting of Covid-19 restrictions has boosted business output, particularly in the services sector.

Businesses in Europe also reported a pickup in production despite a fresh surge of Covid-19 cases that has prompted fears of new pandemic restrictions.

In both places, the combination of strong demand and shortages has resulted in accelerating inflation for business costs and in selling prices, according to surveys of businesses by IHS Markit.

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### Dell Profits Top Estimates on Strength in Commercial PCs

Dell Technologies reported better-than-expected results for its fiscal third quarter ended Oct. 31, driven by strong results from its personal-computer business.



For the quarter, Dell (ticker: DELL) reported revenue of \$28.4 billion, up 21% from a year earlier, and about \$1 billion above the Wall Street analyst consensus forecast of \$27.4 billion. Non-GAAP profits were \$2.37 a share, ahead of the Street at consensus at \$2.30. On a non-GAAP basis, the company earned \$4.87 a share.

Revenue growth accelerated from 15% in the July quarter and 12% in the April quarter, with strong demand trumping ongoing component shortages and higher logistics costs.

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## HP Sees Office Reopenings Lifting PC Demand Ahead of Promising Holiday Season

HP Inc. reported strong earnings and gave an upbeat outlook, aided by office reopenings and an expectation for healthy consumer demand through the holiday shopping season despite supply shortages.



The PC and printer maker said Tuesday it generated quarterly sales of \$16.7 billion, up 9.3% from the year ago period, and \$3.1 billion in net income, including a one-time \$1.78 billion legal settlement. The results beat Wall Street expectations for both sales and earnings.

"We are seeing strong demand coming from the commercial side, from the office side because offices are reopening and companies are invested in creating a better experience for their employees," HP Chief Executive Enrique Lores told The Wall Street Journal.

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## Biden Administration Asks Appeals Court to Reinstate Vaccine-or-Test Mandate for Big Companies

WASHINGTON—The Biden administration on Tuesday filed an emergency court motion that seeks the immediate reinstatement of its rules requiring many employers to ensure their workers are vaccinated or tested weekly for Covid-19.



The Justice Department filed the request with the Sixth U.S. Circuit Court of Appeals in Cincinnati, which last week was designated as the court that would decide legal challenges filed around the country to the vaccine-or-testing rules.

The Occupational Safety and Health Administration earlier this month formally issued the requirements, which apply to businesses with 100 or more employees. The rules cover roughly 84 million workers and are scheduled to take effect Jan. 4.

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## Elon Musk's Tax Bill on Stock Options Fell Along With Tesla's Share Price

Elon Musk already faces a federal tax bill approaching \$2.7 billion on exercising Tesla Inc. stock options. It would have been bigger if the company's share price hadn't fallen after he tweeted about selling stock.



The stock fluctuations have financial consequences for the U.S. government, Mr. Musk and Tesla. When the share price goes down, it not only reduces how much tax the Tesla chief executive owes the U.S. government in the short term, it also lowers his total potential tax payments linked to those shares if he sells them in the future. Any such later sales also may not be taxed by California because Mr. Musk moved his residence to Texas last year.

At the same time, exercising the options at a lower stock price could weigh on the company he controls. The tax deductions that Tesla can claim for that part of Mr. Musk's compensation package are effectively reduced if he exercises options at lower share prices.

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## Apple Sues Israeli Firm NSO Over Spyware, Claiming iPhone Hacks

Apple Inc. has sued the NSO Group, an Israeli maker of surveillance software, alleging the company misused its products and services, escalating battle over surveillance and user privacy.



The lawsuit alleges that NSO Group engaged in "concerted efforts in 2021 to target and attack Apple customers, Apple products and servers and Apple through dangerous malware and spyware," and seeks to bar NSO Group from using Apple's products.

The Israeli company has developed hacking techniques to install its surveillance software, called Pegasus, on Apple's mobile phones without a user's knowledge or consent, according

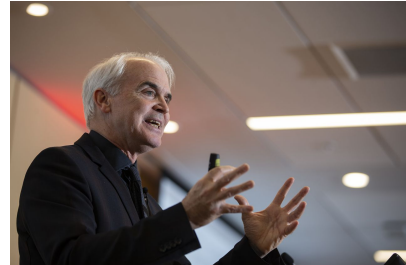
to security researchers. Pegasus, they say, turns the iPhone into a silent spying device by gaining access to the device's files, messages, microphone and camera.

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## Bank of Canada Raises Concerns Over High Household Debt

OTTAWA—Canadians' high household debt levels are re-emerging as a concern despite the massive fiscal support offered by the federal government during the pandemic, a senior Bank of Canada official said Tuesday.



Deputy Governor Paul Beaudry said the prevalence of highly indebted households -- which are defined as those with a debt-to-income ratio above 350% -- likely improved during the first year of the pandemic as many Canadians accumulated savings and paid down debt. But that trend appears to be reversing, he said, in part because of the worsening quality of Canadians' mortgage borrowing in recent quarters.

"By the end of 2021, the share of highly indebted households will likely have more than reversed its initial improvement," Mr. Beaudry said, according to prepared remarks from a speech. "Overall, vulnerabilities linked to elevated household debt appear to be rising again after a slight pause."

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## Best Buy's, Dick's E-Commerce Growth Slows After Pandemic-Fueled Surge

Consumers are spending freely on sporting goods and kitchen appliances, but they are doing more of their shopping in stores than they did last year when Covid-19 restrictions upended the holiday shopping season.



Best Buy Co. posted a decline in e-commerce sales during the quarter ended Oct. 30, after such sales nearly tripled last year. Dick's Sporting Goods Inc. reported flat online sales in the same quarter, after they had nearly doubled a year earlier. Both chains reported higher overall sales than in 2019.

Best Buy expects a strong holiday season but a slowdown in sales growth versus earlier in the year, said Best Buy chief financial officer Matt Bilunas on a call with analysts Tuesday. The electronics retailer tends to compete more head on with other big retailers during the holiday season as electronics become a gifting focus, he said.

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## Thanksgiving Travelers Will Face High Gas Prices, Long Lines

Gas prices remain high as millions of Americans take to the roads and sky this week to meet family and friends for Thanksgiving celebrations, according to AAA.

The national average price for a gallon of regular unleaded gas is \$3.40, according to AAA's weekly gas report.



Gasoline prices have risen steadily over the past year and have become a big contributor to inflation, which is at its highest rate in 31 years. Pump prices are up 61% from a year ago, according to Energy Department data, as oil-and-gas production lags behind a return of consumer demand coming out of the pandemic.

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## Sugar Industry Merger Challenged by Justice Department

WASHINGTON—The Justice Department filed an antitrust lawsuit challenging U.S. Sugar's proposed purchase of rival Imperial Sugar, arguing the tie-up would lead to higher prices for refined sugar and food-and-beverage staples for consumers.



The suit, filed Tuesday in a Delaware federal court, is the fourth major deal challenge in recent months from the department, which has been following through on a Biden-era enforcement pledge to take a harder line against industry consolidation.

Privately-held U.S. Sugar, headquartered in Clewiston, Fla., farms more than 200,000 acres of sugar cane in the state. In March it announced an agreement to purchase Texas-based Imperial Sugar, whose operations include a large refinery in Georgia, from Dutch-based Louis Dreyfus Company B.V. The deal was valued at about \$315 million, according to the Justice Department lawsuit.

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## TALKING POINTS

**SPR, An FAQ**

*By Timothy Puko and Katy Stech Ferek*

The Biden administration said Tuesday that it would release 50 million barrels of oil from its Strategic Petroleum Reserve in a coordinated effort with other countries to bring down gasoline prices.

Here's what you need to know about the SPR.

### **What is the SPR?**

The U.S. Strategic Petroleum Reserve consists of four underground salt caverns along the Texas and Louisiana coasts that currently hold about 605 million barrels of oil. That is enough to satisfy U.S. demand for several weeks.

The supply is owned by the U.S. government and managed by the Energy Department. Federal law gives U.S. presidents the power to release oil from the reserves to minimize supply disruptions.

A president may release oil if they determine the move to be required by a "severe energy supply interruption," which is defined as a national energy supply shortage that is significant in scope and duration, that is "of an emergency nature" or that could cause "major adverse impact" on the national economy.

### **Why were people calling for it to be tapped now?**

Gasoline prices have risen steadily over the 12 months since President Biden's election. Pump prices are up 61% from a year ago, with regular unleaded selling last week at a national average price of \$3.40 a gallon, according to Energy Department data.

Inflation has put the Democratic Party's legislative agenda at risk, pressuring the White House to act.

White House officials have spent weeks debating what to do about rising energy prices, gasoline in particular. Prices for gasoline and heating-oil—both products that come from crude—have risen to their highest levels since 2014.

In a statement Tuesday, the White House said Mr. Biden is "using every tool available to him to work to lower prices and address the lack of supply."

### **Will tapping the reserve lower gasoline prices at the pump?**

Boosting the supply of petroleum should lower gas prices for motorists, but there is no guarantee. Futures markets are complex and prices move for many reasons. Even if crude prices do drop, there is no guarantee gasoline prices will follow suit, or do so quickly if they do.

Coordinating with other countries to have a larger release is one way to try to ensure prices decline. If prices do fall, other market forces could push them back up again.

"Ultimately the amount of impact would be relatively short-lived," Stephen Nalley, the acting administrator of the U.S. Energy Information Administration, told a Senate committee recently. "It would depend on how much was released."

### **Who has supported the release?**

In early November, 11 Senate Democrats including Elizabeth Warren of Massachusetts wrote a letter to Mr. Biden suggesting he consider tapping the reserve.

“We ask that you consider all tools available at your disposal to lower U.S. gasoline prices,” they said in the letter.

At the same time, Mr. Biden’s own advisers also began looking to the reserve after they failed in a diplomatic push to get members of the Organization of the Petroleum Exporting Countries to increase output more than they had initially planned.

### **What’s the case against tapping the SPR?**

Critics say the reserve was created for emergencies and to protect the U.S.’s energy security needs, not help consumers save a few dollars at the pump.

U.S. oil companies say a better solution is to focus on increasing the U.S.’s ability to pump more oil.

“Pulling some crude from SPR would do little to actually affect gasoline prices in the near term and may even do more harm than good in the long term,” said American Exploration and Production Council Chief Executive Officer Anne Bradbury in a statement before the release announcement. “The better approach to help alleviate rising energy prices is to focus on supporting domestic production of oil and natural gas.”

### **What authority is being used to tap the SPR?**

Senior Biden administration officials said Tuesday the president isn’t using his emergency authority, but other powers available for less urgent situations. Most of the release, 32 million barrels, won’t simply be sold, but will go out as part of a supply exchange designed only to get more oil on the market in the immediate future. Buyers will be required to send oil back to the government to replenish the reserves between 2022 and 2024, according to the Energy Department.

### **Who created the SPR?**

Congress authorized the SPR in 1975, in the wake of the Arab oil embargo, as a buffer against supply shocks from oil exporters. Energy markets, however, have changed dramatically in recent years, as has the country’s use of the reserve, which has a capacity of 714 million barrels. Resurgent U.S. oil production from fracking into shale has made political leaders of both parties less fearful of shortages.

The Trump administration considered selling off some of this oil in 2018 before opting against it. And Congress has started draining the reserve as a way to raise cash to pay for tax cuts and other spending. Under congressional authorization the Energy Department has run seven sales since 2017, unloading more than 60 million barrels, or about 8.6% of what had been in the reserve, according to department figures.

### **When has oil been released from the reserves in the past?**

Since the first barrels were delivered for storage in 1977, oil has been released from the reserves about two dozen times. Many recent sales were those authorized by Congress, and the Energy Department has also run several exchanges after hurricanes and shipping channel closures disrupted domestic supplies.



The U.S. has also opted to release oil in coordination with other countries that keep their own reserves three times: when Operation Desert Storm began in 1991, after Hurricane Katrina in 2005 and at the height of Arab Spring in 2011. The International Energy Agency, a Paris-based energy watchdog, has coordinated those releases among member countries, though state leaders can decide whether to participate.

### **What happens when oil is released?**

Released oil from the U.S. reserves can take as long as two weeks to reach the markets from where it is stored in underground salt domes, which measure as long as 2,000 feet. To get oil out, fresh water is pumped into the bottom of the cylinder, forcing the oil upward, out of the cavern and into pipelines that carry the supply to refineries that convert it into gasoline or other petroleum products.

## **El Salvador's \$1B Bitcoin-Backed Bond Plan**

*By Caitlin Ostroff and Santiago Perez*

El Salvador is planning to issue next year \$1 billion in bonds backed by bitcoin, the latest effort by the economically stressed Central American nation to attract crypto capital.

The country this year became the first to adopt bitcoin as a national currency. It plans to sell \$1 billion in U.S. dollar-denominated 10-year bonds with a coupon of 6.5%. Half of that money would be used to buy bitcoin to hold for five years and the rest would fund construction projects related to bitcoin.

El Salvador will issue the bond in partnership with Blockstream, a digital assets infrastructure company based in Canada. The bonds would be issued on blockchain, the digital ledger that allows for trading without traditional intermediaries such as banks.

Some of the funds will go toward building a “Bitcoin City” near the Conchagua volcano that will have no taxes on income, property and capital gains, President Nayib Bukele said over the weekend.

The 41-year-old Mr. Bukele has previously encouraged bitcoin mining companies—which set up machines to solve puzzles to harvest bitcoin—to move to El Salvador. He has touted cheaper, renewable energy from El Salvador’s volcanoes as a solution to higher costs and criticism over the carbon footprint of mining. Bitcoin miners were recently kicked out of China and have faced scrutiny in other countries for high energy use.

“If this works, I wouldn’t be surprised if we see more emerging-market countries following suit,” said Meltem Demirors, chief strategy officer at London-based asset management firm CoinShares.

The plans to raise debt tied to bitcoin carry significant risks for a \$26 billion economy that is highly indebted and faces high borrowing costs.

Bitcoin’s dollar value is notoriously volatile, as it trades largely based on sentiment and can move sharply on positive or negative headlines. This also makes it very difficult to forecast where its valuation may be in five years’ time.

El Salvador is negotiating with the International Monetary Fund for a \$1.3 billion financial aid program. The IMF has warned against adopting crypto assets as national currency, primarily

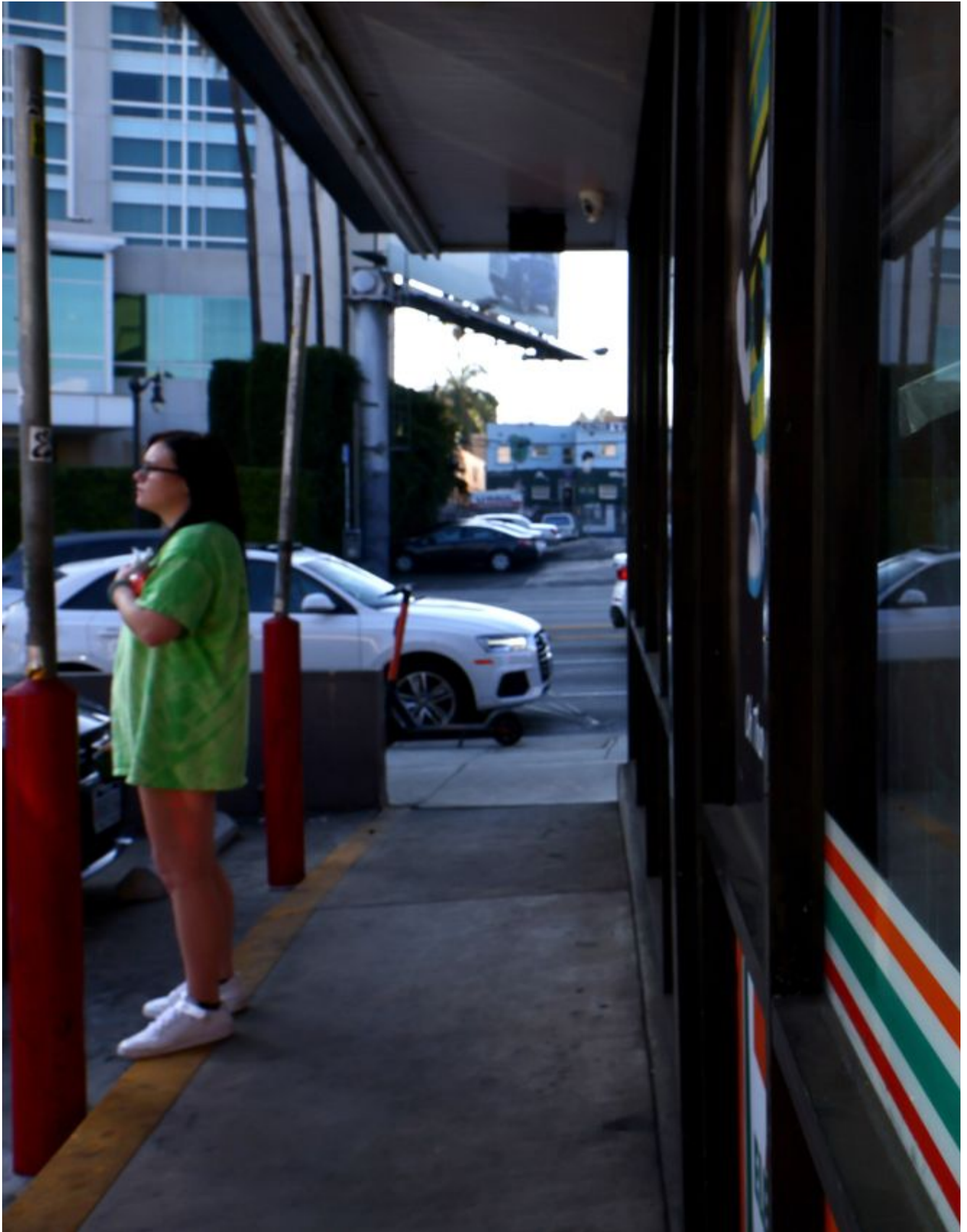
because the privately issued tokens bypass authorities and central banks, which are tasked with preserving economic and currency stability.

A deal with the IMF was nearly complete before it stalled this year, after legislators of Mr. Bukele's New Ideas party replaced the attorney general and magistrates of the Constitutional Court in May. IMF officials grew concerned about El Salvador's weakening governance and rule of law, according to people familiar with the negotiations.

The court was then stacked with loyalists who opened the door for Mr. Bukele to seek another term in 2024, undoing a constitutional ban on reelection. The move fueled criticism by the U.S. amid a steady deterioration in bilateral relations.

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WEALTH MAN,



## **Federal Agencies Crafting Rules Around Banks and Cryptocurrencies**

A group of U.S. federal agencies on Tuesday said they plan next year to begin delineating how banks can le

The agencies will focus on what activities banks can legally participate in, and outline rules to ensure safety, Reserve, Federal Deposit Insurance Corp. and the Office of the Comptroller of the Currency.

“The emerging crypto-asset sector presents potential opportunities and risks to banking organizations, their

Cryptocurrencies have become a popular and potentially lucrative but volatile investment, the legality of which has attracted the attention of regulators and investors from traditional financial markets. The lack of regulatory clarity has posed a challenge for agencies that have been working to regulate the market.

The agencies involved undertook what the statement called a “policy sprint,” in which they brought together regulators and banks that could start getting involved in crypto markets, and what might be involved in legally allowing that.

The agencies worked on addressing issues within three broad areas: developing a standard vocabulary, identifying

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*--Paul Vigna, paul.vigna@wsj.com*

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## Expected Major Events For Wednesday

00:01/UK: Nov REC JobsOutlook survey

00:30/JPN: Nov Japan Flash Manufacturing PMI

07:45/FRA: Nov Monthly business survey (goods-producing industries)

08:59/JPN: Sep Final Labour Survey - Earnings, Employment & Hours Worked

09:00/GER: Nov Ifo Business Climate Index

11:00/UK: Nov CBI Industrial Trends Survey

12:00/US: 11/19 MBA Weekly Mortgage Applications Survey

13:30/US: Oct Advance Economic Indicators Report

13:30/US: Oct Advance Report on Durable Goods

13:30/US: 3Q 2nd estimate GDP

13:30/US: 3Q Preliminary Corporate Profits

13:30/US: 11/20 Unemployment Insurance Weekly Claims Report - Initial Claims

14:45/US: Consumer Comfort Index

15:00/US: Nov University of Michigan Survey of Consumers - final

15:00/US: Oct New Residential Sales

15:00/US: Oct Personal Income & Outlays

15:30/US: 11/19 EIA Weekly Petroleum Status Report

17:00/US: 11/19 EIA Weekly Natural Gas Storage Report

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## Expected Earnings For Wednesday

Anavex Life Sciences Corp (AVXL) is expected to report \$-0.15 for 4Q.

BQE Water Inc (BQE.V) is expected to report for 3Q.

CPI Aerostructures (CVU) is expected to report \$0.06 for 1Q.

Calian Group Ltd (CGY.T) is expected to report \$0.27 for 4Q.

Claros Mortgage Trust Inc (CMTG) is expected to report for 3Q.

Deere & Co (DE) is expected to report \$3.91 for 4Q.

Platinum Group Metals Ltd (PLG,PTM.T) is expected to report for 4Q.

Riley Exploration Permian Inc (REPX) is expected to report for 4Q.

Rogers Sugar (RSGUF,RSI.T) is expected to report for 4Q.

SOPerior Fertilizer Corp (SOP.H.V) is expected to report for 3Q.

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