SNAPSHOT
Stock futures gain; dollar mixed; 10-year Treasury yield at 1.758%; Nymex $28.40; gold $1188.05
Watch for: Janet Yellen testimony; EIA weekly status report; earnings from Time Warner, Carlyle Group, Cisco Systems, Twitter, Tesla Motors

OPENING CALL
U.S. stock futures advanced Wednesday with traders looking ahead to Federal Reserve Chairwoman Janet Yellen’s testimony to the House Financial Services Committee.

Investors will listen closely for any comments on the recent turmoil in stock markets and a further slide in the oil price as they assess her position on interest rates.

“The chair will, in our view, leave the door open for [a rate rise at the next Fed meeting in] March without providing a strong signal in either direction,” strategists at Barclays wrote in a note.

European stocks showed signs of steadying following the recent steep selloff, although markets in Asia remained under pressure.

The Stoxx Europe 600 was up 1.1% in early trade, led by the banking sector, after Wall Street stabilized late in the previous session. Earlier, Japan’s Nikkei Stock Average fell 2.3% to its lowest closing level since late 2014.

EQUITIES
A U.S. regulatory panel vote on Tuesday is a win for companies developing lower-cost copies of pricey biotechnology drugs, but it could be a while before patients see them.

An advisory panel to the Food and Drug Administration voted to recommend the agency approve the sale of a knockoff version of Johnson & Johnson’s arthritis drug Remicade, which had U.S. sales of $4.45 billion last year. The copy was developed by Celltrion and licensed to Pfizer.

But the path to market for copies of Remicade and other top-selling biotech brands could be complicated. Drugmakers including J&J, AbbVie and Amgen are attempting to block such copies, known as “biosimilars,” by taking out new U.S. patents to extend their monopolies potentially into the 2020s and ‘30s. That could delay the entry of competing knockoffs well beyond when the FDA clears them for sale, and beyond the expirations of the branded drugs’ original patents, which are due in coming months and years.

Akamai Technologies’s security business enjoyed a jolt of new business from besieged websites last year, even as its big Silicon Valley customers spent less money on its network.
The shift came as Akamai unveiled Tuesday a reorganization that will divide its operations into two distinct business lines: one focused on Web security and other services, and another division focused on media delivery. As part of the changes, Akamai said longtime executive Robert Hughes would retire as president of worldwide operations.

The Cambridge, Mass., company also launched a $1 billion stock buyback plan to defray the costs of compensating workers. The company had more than 6,000 employees at the end of 2015. Chief Executive Tom Leighton said the company would slow the pace of new hiring but didn’t plan any layoffs.

In the fourth quarter, earnings fell to $88.4 million from $97.1 million a year earlier as the company’s stock-based compensation costs rose. Revenue climbed 8% to $579.2 million.

Burberry Group accused J.C. Penney in a lawsuit Tuesday of infringing on its famous “check” pattern by selling exact copies of its designs.

The British luxury brand said Penney sold a “scarf coat” and a quilted jacket that featured replicas of Burberry’s plaid pattern, according to the lawsuit filed in U.S. District Court for the Southern District of New York.

A Penney spokeswoman declined to comment on the litigation. Burberry declined to comment.

FOREX

The yen remained near its strongest level against the dollar in over a year while the euro was a touch lower against the buck.

The dollar “looks vulnerable” before Janet Yellen’s testimony said ING analysts. “Markets will be sensitive to remarks concerning financial conditions having tightened.” ING thinks the dollar index can fall to 95. It was last trading down 0.1% at 95.98. EUR/USD “can creep a little higher” but $1.13/$1.15 “should prove a medium-term sell,” the ING analysts said.

At 3.50am ET, USD/JPY was 114.77-78 and EUR/USD was 1.1262-65.

BONDS

The yield on the 10-year U.S. Treasury was 1.758% against Tuesday’s 1.728%.

Analysts say further deterioration of sentiment toward stocks could drive U.S. bond yields closer to record low territory. Some U.S. money managers say yields at these low levels provide little value, but buyers of Treasury debt see them as a hedge against the risk of a further decline in riskier assets, such as stocks and corporate debt.

The “market is trading with a great deal of fear,” said Brian Edmonds, head of interest rates at Cantor Fitzgerald LP in New York. “I think [the bond market] is overdone but that does not mean that things will change soon.”
COMMODITIES
In commodities, Brent crude oil was last up 2.4% at $31.05 a barrel in thin trade on speculation about possible production cuts, but remains down nearly 9% for the week and roughly 19% for the year. Nymex was up 1.9% at $28.40 a barrel.

Spot gold in London was down 0.2% at $1188.05 an ounce, while three-month copper futures on the London Metal Exchange fell 0.7% to $4,463 a ton.

Other Top Stories Of The Day

Obama Administration to Tweak Offshore Drilling Rule
The Obama administration is preparing to make a major offshore drilling regulation somewhat more favorable to the oil and natural gas industry, compared to a preliminary proposal issued last year.

Identity Thieves Breached IRS Computer Systems, Agency Says
The Internal Revenue Service said it identified an automated attack on its computer systems aimed at getting information that could be used to steal tax refunds.

Supreme Court Puts EPA Carbon Rule on Hold During Litigation
The Supreme Court Tuesday in a divided order blocked a key Obama administration environmental rule to limit carbon emissions from power plants, siding with states and industry groups that wanted the regulation delayed while they challenge its

White House Proposes $19 Billion Budget for NASA Next Fiscal Year
The White House is seeking to trim NASA's overall budget by a modest 1.5% in the next fiscal year, but the package is bound to spark stiff congressional opposition primarily due to double-digit cuts proposed for human deep-space exploration.
Shinzo Abe Defends Kuroda and Negative Rates
Japanese Prime Minister Shinzo Abe said he has faith in Bank of Japan Governor Haruhiko Kuroda’s ability to properly handle monetary policy.

Deutsche Bank Shares Soar
Shares in Deutsche Bank rose 14% following news that the German lender is considering buying back some of its debt.

German Companies More Optimistic Than Ever, Says DIHK Survey
Business sentiment among German companies reached a record high, according to a survey published Wednesday, reflecting optimism about the domestic economy even as exports are expected to slow sharply.

EU Proposes Delaying New Financial Market Rules by One Year
The European Union on Wednesday proposed a one-year delay for financial market overhauls set to take effect in 2017 because of the technical challenges regulators and market participants would face in putting the rules in practice on time.

New Threat Looms for Oil Prices
Already battered by fears of oversupply, global oil prices face pressure from another economic force that could result from shifting flows.

The High Consequences of Low Interest Rates
Instead of rising as many had expected, rates have slumped anew, rattling financial markets and undoing the plans of investors, consumers and businesses alike.
Today In Canada

Earnings scheduled
Sun Life Financial (SLF) fourth-quarter results; analysts expect earnings of 87 Canadian cents a share
Kinross Gold (KGC) fourth-quarter results; analysts expect a loss of 5 U.S. cents a share

Economic indicators (all times ET)
none

Stocks to watch
Oil producers such as Suncor (SU), Cenovus (CVE) and Canadian Natural fell in tandem with oil prices

Calendar items (all times ET)
none