



Stock Market News: AT&T Mulls a DIRECTV Move; Diageo Faces Trade Challenges

Description

Thursday morning brought modest gains for major benchmarks as investors took more time to consider the impact of the Federal Reserve's decision yesterday to cut interest rates by a quarter percentage point. Positive economic data helped improve market sentiment, and many hope that the Fed's move will prevent a recession and help foster greater growth in the near future. As of 10:30 a.m. EDT, the **Dow Jones Industrial Average** (DJINDICES: ^DJI) was up 91 points to 27,238. The **S&P 500** (SNPINDEX: ^GSPC) gained 12 points to 3,019, and the **Nasdaq Composite** (NASDAQINDEX: ^IXIC) picked up 54 points to 8,231.

Even with today's gains, businesses are still struggling to come up with the best strategies to maximize their prospects. **AT&T** ([NYSE: T](#)) is once again in the spotlight as investors try to guess whether it'll make a major strategic move with its DIRECTV satellite video business. Meanwhile, **Diageo** ([NYSE: DEO](#)) gave a warning about the current state of global trade that suggests there are still reasons for concern across the [broader stock market](#).

Is AT&T dealing DIRECTV?

Shares of AT&T were up about 1% in response to renewed reports that the telecom giant might be looking at a major strategic move involving its DIRECTV business. The possible outcome could be a sale or spinoff of DIRECTV — something that could help to boost its share price, at least according to activist investors.

[Hedge fund Elliott Management](#) said earlier this month that it sees AT&T shares as being greatly undervalued, and it took a stab at explaining why. One criticism of the telecom company was that because of its massive purchases of DIRECTV and Time Warner, AT&T had taken on too much at the same time, distracting it from its core business. Given the opportunities in building out an upgraded 5G wireless network, Elliott urged AT&T to take steps to refocus its efforts on its most promising business.

Selling off DIRECTV could be a step in that direction if AT&T chooses to do so. Proceeds from a sale

would allow the telecom company to pay down some of its debt or provide additional capital for network improvements. It would also take away the company's exposure to a declining market, as many DIRECTV customers have moved to cheaper streaming video services. With Elliott likely pushing for such a move, it'll be interesting to see whether AT&T pulls the trigger on a DIRECTV deal — and whether it makes further efforts toward appeasing its new activist shareholder.

Diageo tries to stay upbeat

Spirits producer Diageo saw its stock rise a fraction of a percent Thursday morning. The [company behind Guinness beer and Smirnoff vodka](#) gave an update on the prospects for its business in the immediate future, and it remained confident despite rising challenges on the trade front.

Diageo said that it anticipates it will still be able to produce organic sales growth in a range of 4% to 6% for the full year. It also expects that its results for the first half of the fiscal year will see operating profit grow at a slightly slower rate than sales, although that's largely due to tough comparisons against the prior-year period's results.

Yet trade concerns remain an issue for the spirits maker. CEO Ivan Menezes urged investors not to assume that Diageo doesn't have to worry about trade considerations, and he tried to assure shareholders that his team will keep monitoring such matters closely.

Even so, Diageo's at the center of many major issues, including both the U.K.'s Brexit separation from the European Union and possible tensions involving the U.S. market. With ongoing challenges in navigating shifting consumer preferences with respect to alcoholic beverages, Diageo has a lot to balance in order to keep itself moving in the right direction.

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