

TOP STORIES

- China Cuts Bank RRRs Again, Frees Up \$115B to Spur Economy
- Trump Sets January 15 Trade Deal Signing, Plans for Phase Two Ongoing
- North Korea's Kim Vows to Step Up Weapons Tests in 2020 but Plan Lacks Details
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3247.75 (16.75)	15.37
Nasdaq	8810.25 (58)	57.18
Dow	28664 (156)	151.56

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7608.66	0.88%
DAX	13353.62	0.79%
Nikkei	Closed - Holiday	
Hang Seng	28543.52	1.25%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Weekly Claims	222k
9:45	PMI Manufacturing	52.5

FOREX

EUR/USD	1.1188 (-0.20%)
USD/JPY	108.77 (0.06%)
USD/CAD	1.2996 (0.08%)
GBP/USD	1.3206 (-0.36%)

COMMODITY

Oil	61.16 (0.16%)
Natural Gas	2.18 (-0.41%)
Gold	1524.2 (0.07%)
Copper	2.81 (0.46%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.78 (-7.02%)
Nasdaq	VXN	16.89 (-5.64%)
Oil	OVX	28.30 (9.44%)
Gold	GVZ	12.63 (0.56%)

MARKET OUTLOOK

Futures are indicating a higher open for the year with positive tailwinds out of China as stimulus remains in favor. China's central bank cut the reserve ratio for the eighth time since early 2018 to free up more than \$115B for banks to lend. The move comes with economic growth slowing to its weakest pace in 30 years, according to Reuters. The cut was widely expected as Beijing will continue to boost the economy as trade weighs. Trade has been quiet overall with Trump saying on Tuesday that he expects to sign the Phase One deal on January 15. The actual text of the deal will be the next major catalyst and could occur sometime soon. Finally, turning to the 2020 US election, a new poll shows Biden as the only Democrat to poll ahead of Trump in some key states but he would still likely lose in the general election. Trump's fundraising numbers continue to be massive while Buttigieg had a solid Q4.

Asian markets were higher overall this morning with Japan closed on Holiday. China led with most indices up over 1.25% while Korea was the only real laggard down around 1%.

European markets are green as well this morning with the FTSE leading. Autos, materials, and tech are strong overall. **Airbus** up 3% and on pace for its best day in three months after topping its deliveries forecast. **Tullow Oil** down 6% after well tests in Guyana showed levels below pre-drill estimates. German banks like **Commerzbank** and **Deutsche Bank** up strong up over 5.5%. **Nokia** leading the Stoxx 50 up over 4.5%.

Finally, looking at economic data for the morning it was a bit of a slow day. China Caixin Manufacturing PMI came in light at 51.5 vs 51.8. South Korean manufacturing beat slightly. Australian manufacturing PMI fell to 49.2 vs 49.4 forecast. Eurozone manufacturing PMIs came in strong for the most part at 46.3 vs 45.9. Germany, France, and Spain all beat as well with Italy and the UK laggards.

S&P TECHNICALS

Levels: Support 3,100/3,000; Resistance 3,250/3,350



4874 Advancing	Declining 2539
62.2%	37.4%
231 New High	New Low 45
83.7%	16.3%
5616 Above SMA50	Below 2124
72.6%	27.4%
5277 Above SMA200	Below 2463
68.2%	31.8%

KEY EVENTS**Earnings AMC:** LNDK, RECN**Tomorrow...** Hong Kong Retail Sales, German CPI, German Unemployment, US ISM, US Construction Spending, US Auto Sales, Fed Speakers (Brainard, Daly, Evans, Barkin, Kaplan), and FOMC Minutes; **Earnings:** LW**ANALYST ACTION/COMMENTS****T Rowe Price (TROW), Blackrock (BLK)** upgraded to Buy at Wells Fargo**Capri (CPRI), G-III Apparel (GIII)** upgraded to Buy at Wells Fargo**Progressive (PGR)** upgraded to Buy at Deutsche Bank**West Rock (WRK)** upgraded to Buy at Wells Fargo**Designer Brands (DBI)** upgraded to Buy at Wells Fargo**Seacor (CKH)** upgraded to Buy at Stifel**Fastly (FSLY)** upgraded to Buy at Piper**Perkin Elmer (PKI)** upgraded to Buy at Evercore**Varian Medical (VAR)** upgraded to Buy at Evercore**Henry Schein (HSIC)** upgraded to Neutral at Evercore**Medtronic (MDT)** upgraded to Buy at Guggenheim**Mettler-Toledo (MTD)** upgraded to Neutral at Evercore**Baxter (BAX)** upgraded to Buy at Evercore**Ford (F)** downgraded to Sell at Evercore**Badger Meter (BMI)** downgraded to Sell at Canaccord**Invesco (IVZ), Franklin (BEN), Janus (JHG)** downgraded to Sell at Wells Fargo**Signet (SIG), Hanes (HBI)** downgraded to Sell at Wells Fargo; ROST cut to Neutral**Core Labs (CLB)** downgraded to Neutral at Stifel**Upwork (UPWK)** downgraded to Neutral at Citi**Wells Fargo (WFC)** downgraded to Sell at Baird**Lumentum (LITE)** downgraded to Buy at Needham**Abbott (ABT), Edwards Lifesciences (EW)** downgraded to Neutral at Guggenheim**Incyte (INCY)** downgraded to Neutral at Guggenheim**Illumina (ILMN)** downgraded to Neutral at Evercore**MEDIA HIGHLIGHTS****Endeavor** Said to Buy Luxury-Events Business **On Location Experiences** for \$660M; NFL to boost stake – Bloomberg‘The Irishman’ Delivers **Netflix (NFLX)** It’s First Major Film Hit – Bloomberg

Japan to incentivize domestic use of tech parts to fend off Chinese influence – Bloomberg

Fatal **Tesla (TSLA)** Crash Near Los Angeles Being Investigated by NHTSA – BloombergBig Pharma raises prescription drug prices on New Year’s Day (**GILD, GSK, SNY, BMY, PFE, BIIB**) – Ny PostWarren Buffett spurned **Tiffany (TIF)** as deal drought continued – FTStudy finds **Google (GOOGL)** system could improve breast cancer detection – ReutersMacau casino revenue falls in December the most in almost 4 years (**MGM, LVS, WYNN, MLCO**) – ReutersInvestors should be wary of **Tesla’s (TSLA)** business prospects in 2020 despite its high stock price – WSJ**Airbnb’s** New Year’s Eve guest volume shows its falling growth rate – Tech Crunch

Kim Jong Un warns world will see new strategic weapon soon – Reuters

Tesla (TSLA) expected to announce Q4 deliveries this week, St. estimates 107,000 – ReutersFDA to ban sale of fruity e-cigarette pod flavors (**MO**) – WSJ**Boeing’s (BA)** resolve to automate flight strengthened after MAX crashes – WSJ**Samsung** expected to unveil micro LED plans at CES – DigiTimes**TSMC (TSM)** to begin 5nm chip production for 2020 iPhone in Q2 – DigiTimes

5G Underwhelms in Its First Big Test – WSJ

STOCK SPECIFIC NEWS OF NOTE**Amarin (AMRN)** says VASCEPA approved in Canada**Aerie Pharmaceuticals (AERI)** announces EMA acceptance for review of Roclanda MAA**Anixter (AXE)** amends CD&R merger agreement to boost consideration to \$93.50 per share**J.B. Hunt (JBHT)** acquires RDI Last Mile

PRE-MARKET MOVERS

Moving Higher: SAVA 39.8%, IPHA 29.7%, RAD 5%, DB 4.6%, BCS 2%, BABA 2%

Moving Lower: HBI -2%

INSIDER TRADING (Form 4 Filings)

Buying: ABEO, SAVA, UHAL, VRA

Selling: LITE, CUE, CLDR, VCRA, LMAT, LYFT, DECK, CRM, AMZN, SF, SAM, CONE, UHAL

POTENTIAL SYMPATHY TRADES**OPTION HIGHLIGHTS (from 12/20)**

US Bancorp (USB) traded 3X daily calls on 12/19 with the most notable being February \$60 calls bought to open more than 6000X near \$1.60. USB has also seen 5000 Jan. 31st (W) \$60.5 calls open this week and 1900 June \$52.5 ITM calls bought for \$1.63M last week. The March \$60 calls also have 6,500 in open interest from size buys. USB shares broke out of a choppy three-year sideways range in November that measures up to a longer term target of \$75. The \$94B Bank trades 13.5X Earnings, 2X Book and has a 2.8% dividend yield with a ROE of 15%, always considered one of the highest quality Banks. USB did lower its long term ROA and ROE targets in September citing a challenging rate environment. In Q3 it reported record numbers with industry-leading returns on assets and equity noting robust mortgage revenues. USB businesses include Consumer & Business Banking (40%), Payment Services (29%), Wealth Management (14%), and Corporate & Commercial Banking (17%). USB has been making great strides through its digital transformation. Analysts have an average target of \$59 on shares and short interest is 1.2% of the float. Fox Business did report on 11/21 that USB may be a target for a Goldman Sachs acquisition. Citi upgraded shares to Neutral earlier this week with a \$62 target citing a better rate outlook ahead. Hedge Fund ownership fell 1.8% in Q3 filings, Berkshire Hathaway the largest holder with a \$7.3B position as its 7th largest.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.58	Declining
CBOE Index Put/Call Ratio	1.29	Neutral
CBOE Skew Index	140.29	Multi-month Highs
VIX Curve	Contango	Normal
CNN Fear & Greed Index	93	Extreme Greed
NYMO	17.92	Neutral
NYSE New Highs	51	Weakening
McClellan Summation	883.74	Highest Since April
Cumulative AD	513838	New Highs
VXV:VIX	1.15	Normal
Lipper Fund Flows	+\$8.6B	Largest Inflow Since January
Univ. of Michigan Consumer Sentiment	99.2 (December)	+0.9%

SMART MONEY (13g/13d Filings)**IPO MONITOR**

Nothing Scheduled

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

WY:



Weyerhaeuser (WY) shares are consolidating in a nice multi-week range under \$30.50 with a breakout targeting \$35. Shares pulled back just above the 50-day and cloud support. RSI is back above 60 and MACD has reset a bit back above zero but looking to positively inflect.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Nice (NICE)

Price: \$155.15

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	27X	6.2X	4.4X	23.9X	26.77X
Industry Avg.	53.2X	7.3X	7.3X	58.5X	69.4X

Analysis: NICE is a \$9.64B company that is attractively valued and focuses on enterprise software solutions for call centers and other telecommunication services. They're a leader in CCaaS which is a growing TAM and NICE is expanding into cloud services and analytics with 40% of their total revenue now. Upside catalysts include adoption of their CXOne platform, new high-dollar deals, and expanding into new geographies.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

HOG:



Harley (HOG) shares are forming a bear flag back at the high-end of cloud resistance with a move under \$36.50 targeting recent lows near \$35 and then \$32. MACD is crossing over bearish after bouncing back to zero and RSI is under 50 again, negative trends.

PAIR TRADE OF THE WEEK

Industry: Beer

Long/Short: Long **Boston Beer (SAM)**, Short **Molson Coors (TAP)**

Analysis: SAM is an intriguing small-cap within the spirits group with the explosive growth of their Truly brand among seltzer in 2019. SAM is targeting double-digit growth in 2020 with margin improvement as they rely less on co-packers. TAP likely remains a value trap with their low valuation and continued push towards self-help rather than pursuing strategic actions.

SMALL CAP TRADE OF THE WEEK

Kinsale (KNSL) is a \$2.23B P&C insurance name with a focus on excess and surplus lines market and smaller accounts overall in the space. KNSL is targeting ratios in the mid-80s in 2020 as well as ROE of 15% with new business growth driving upside.

DAILY OPTIONS REPORT

Unusual Call Activity

Core Labs (CLB)
Bristol Myers (BMY)
Sysco (SYN)
Sprouts (SFM)
CarGurus (CARG)
Western Digital (WDC)

Unusual Put Activity

Hannon Armstrong (HASI)
Tabula Rasa (TRHC)
Brinker (EAT)
Zuora (ZUO)
Luckin (LK)
WW International (WW)

Implied Volatility Riser

Ampio (AMPE)
Cronos (CRON)
Kodak (KODK)
United Natural (UNFI)
Signet (SIG)
Noble (NE)

Lowest Put/Call Ratio

Sprouts (SFM)
Owens Corning (OC)
Alamos Gold (AGI)
Renewable Energy (REGI)
SLM Corp (SLM)
Axalta (AXTA)

Highest Put/Call Ratio

Cogent Comms (CCOI)
Regency (REG)
Hannon Armstrong (HASI)
Brinker (EAT)
World Wrestling (WWE)
Vale SA (VALE)

Implied Volatility Decliner

McDermott (MDR)
Apellis (APLS)
Amyris (AMRS)
Savara (SVRA)
Wave Life (WVE)
Intra-Cellular (ITCI)

OTM Calls on Offer

Ford Motor (F)
Dropbox (DBX)
L Brands (LB)
Gilead (GILD)
Uber (UBER)

OTM Puts on Offer

Luckin (LK)
Cliff's (CLF)
Freeport (FCX)
Nio (NIO)
Nvidia (NVDA)

Elevated IV30

Apellis (APLS)
Clovis (CLVS)
Prothena (PRTA)
Aravive (ARAV)
Next Cure (NXTR)

Positive Net Delta

Canopy Growth (CGC)
AMD
Bank of America (BAC)
Tesla (TSLA)
AT&T (T)

Negative Net Delta

Silver (SLV)
Luckin (LK)
Twitter (TWTR)
WW International (WW)
Signet (SIG)

Option Volume Gainers (%)

Zuora (ZUO)
Luckin (LK)
Sprouts (SFM)
CarGurus (CARG)
Western Digital (WDC)

Bullish Call Flow

General Mills (GIS)
Monster (MNST)
CNOOC (CEO)
Visa (V)
Smile Direct (SDC)

Bearish Put Flow

Foot Locker (FL)
Nike (NKE)
Philip Morris (PM)
Hess (HES)
Square (SQ)

Large Spread Trades

WU, 3500 February \$28/\$25 put spreads
LYFT, 11,000 April \$47.5/\$52.5 call spreads
CATM, 600 March \$45/\$40 bull risk reversals

News Continued

Private Equity Is Starting 2020 With More Cash Than Ever Before – Bloomberg

Apple (AAPL) may launch six iPhone devices in 2020, say sources – Digitimes

China Suspends Shanghai-London Stock Plan – Reuters

Xiaomi to invest \$7 billion in 5G, AI and IoT over next five years – Reuters

Airbus beats goal with 863 jet deliveries in 2019, ousts **Boeing (BA)** from top spot – Reuters

Volkswagen to Sound Out Settlement in German Car-Owners' Mass Lawsuit – Bloomberg

One of Chinese Leaders' Biggest Worries for 2020 Is Pork (**SAFM, HRL, BRFS, TSN**) – Bloomberg

Bosch to Cut Thousands of Jobs in India as Auto Sales Slump – Bloomberg

Data suggests retailers 'over purchased' L.O.L. Surprise! Toys from **MGA Entertainment** – NY Post

Q1 NAND Flash Price Is Projected to Continue Rising – DRAMeXchange

U.S. shale producers to tap brakes in 2020 after years of rapid growth – Reuters

Austrian sensor maker **AMS** secures 59.9% **Osram** stake

Hyundai, Kia sales drop to 7-year low on China weakness, forecast better 2020 – Reuters

Ambarella (AMBA) to debut new robotics platform and AWS AI deal at CES – Venture Beat

The Euro Has Never Been This Calm – WSJ

Apple (AAPL) Strikes New Deal with U.K. Chip Designer It Sidelined in 2017 – Bloomberg

Google (GOOGL) to consolidate all IP in the US – FT

Tullow Oil: Guyana well oil pay below estimates – WSJ

U.S. holiday returns surge with booming e-commerce (**UPS, FDX, KSS**) – Reuters

Option Radars from Break

Datadog (DDOG) with over 6,000 January \$40 calls being bought on 12/31 up to \$1.05 to open and follows a number of put sales in November/December in the January \$40 and \$30 strikes and April \$40 ITM strike. Shares gapped higher on earnings in November and pulling back to the mid-point of its post-

IPO range at \$36 where it has found support. DDOG is forming a series of higher lows and higher highs since October and pullback to trend support sets up a nice risk/reward for a move to the channel high at \$48. The \$11.06B company trades rich at 33.7X EV/sales and 14.5X cash with projections calling for 43% and 30.5% revenue growth through FY21 with profitability by FY22. The company is part of a growing field of cloud monitoring applications which provides analytics across a company's servers, databases, tools, and services. DDOG is coming off a strong quarter with a record number of enterprise adds with \$100k+ ARR customers up to 727 from 377 last year. Analysts have an average target for shares of \$42 with 6 buy ratings and 8 hold ratings. Rosenblatt started at Buy with a \$50 PT recently as the company has already garnered a significant mind share lead. Needham with a \$48 PT in November noting that its newer products in beta will begin to be billed in the next few quarters, which should further fuel the story. They also highlight how the company is executing well against a backdrop of a big and expanding TAM. Short interest is 2%. DDOG a name with a number of notable adds in late 2019 including Tudor, Viking Global, Discovery Capital, and Coatue. Holocene recently raised their stake as well to 5.54%. DDOG also has a wealth of VC backers including Index Ventures, RTP Venture, and OpenView. DDOG had a number of insiders also take part in the IPO buying stock at \$27. Barron's positive on 12/28 citing DDOG as a name to watch in 2020, "the next big thing in computing, accelerating the move to cloud-native technology."

Silicon Labs (SLAB) with two notable buys over the past week including 700 April \$115 calls bought around \$10 on 12/26 and then buyers of 300 February \$115 calls on 12/27. SLAB is a quiet name, relatively, on the options side. Shares have trended strong recently back to resistance of a multi-week flag with a move above \$118 targeting a long-term move up to \$135. The \$5B company trades 33.4X earnings and 6X sales with around \$16/share in cash on hand and limited debt. SLAB screens well with accelerating bottom-line growth and 9% to 10% revenue growth in both FY20 and FY21. SLAB is a leader in silicon with a specialty in mixed-signal and RF integration. They get the majority of their revenue from MCU/wireless sensors used in IoT while infrastructure and modems are all smaller parts of their mix. They also get about 20% of their sales from broadcast TV tuners and automotive tuners, a space where they want to grow. IoT is a massive \$12.1B opportunity with wireless solutions driving growth and the ramping of 5G set to accelerate the number of connected devices. SLAB is seeking to continue winning design contracts across smart homes, smart metering, and industrial with a growth target of 20%. Short interest is 3.2% and down from 4.2% in September. Hedge fund ownership fell 12.5% in Q3. Totem Point management a notable buyer of shares, an 8% weight for the fund. Analysts have an average target for shares of \$113.50. Roth raising their PT to \$130 in July as the analyst believes it represents a differentiated investment opportunity in embedded controller, connectivity and sensor content for the growing IoT market. They remain encouraged by the company's continued IoT design win ramp and growth momentum. Keybank in July noted the company could be a prime M&A target if the sector sees more consolidation with diversification into secular growth areas in IoT, automotive, and cloud, and increased scale and customer breadth in focus.