

TOP STORIES

- Iran to Abandon Entirely Commitments from 2015 Nuclear Agreement
- Iraqi Parliament Votes to Expel US Troops
- US-Led Coalition Suspends Operations Against ISIS Amid Iran Tensions
- Trump Threatens Iran with Additional Strikes Should They Retaliate
- Trump Threatens Sanctions on Iraq
- Gold Soars to 7-Year High As Iran Escalation Fears Grip Markets
- UK PM Johnson to Fast-Track EU Talks
- China's Liu He to Visit Washington on 1/13 to Sign Phase One Deal
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3217.5 (-18)	-18.65
Nasdaq	8751 (-59)	-62.9
Dow	28441 (-161)	-170.88

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7548.25	-0.97%
DAX	13009.52	-1.59%
Nikkei	23204.86	-1.91%
Hang Seng	28226.19	-0.79%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:45	PMI Services	

FOREX

EUR/USD	1.1195 (0.33%)
USD/JPY	108.08 (-0.01%)
USD/CAD	1.2967 (-0.25%)
GBP/USD	1.3153 (0.51%)

COMMODITY

Oil	63.87 (1.3%)
Natural Gas	2.146 (0.75%)
Gold	1580 (1.78%)
Copper	2.775 (-0.43%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.02 (12.43%)
Nasdaq	VXN	16.95 (5.94%)
Oil	OVX	31.92 (11.03%)
Gold	GVZ	13.46 (5.98%)

MARKET OUTLOOK

Futures are indicating another weak open for the morning although Friday's lows held and we've bounced a little into the open. It was an Iran-heavy weekend with a number of headlines on the tape. The initial reaction from Iran and Iraq was somewhat expected. The former announced it would pull out of its commitment to the 2015 nuclear deal entirely (although still cooperating with the UN) while the latter voted to push US troops out of the country (although a complete removal is unlikely). It was Trump's reaction that stepped up the tensions. On Sunday, POTUS threatened to accelerate the bombings if Iran retaliates – including indications that he would target cultural sites. The fallout in the US continues to be negative with a NYT report that military officials were 'stunned' at Trump's decision while the US House will vote this week on a war powers resolution that would force the Executive Branch to consult congress on further actions.

Asian markets are weak overall this morning with the continued Iran headlines, although China slightly outperformed. The Nikkei opened for the first time in 2020 on a down note. **Softbank** was down around 4% and leading tech lower while autos like **Honda** (-3%), **Toyota** (-2%), and **Nissan** (-1.5%) were also weak.

European markets are weak as well today but oil stocks a bright spot hitting two-month highs. **BP** and **Shell** both higher by around 1% in early trading. Chemicals a weak spot with **Covestro** down nearly 6% after negative broker comments.

Finally, a quick look at **economic data** overnight... China Caixin Services PMI was in line at 52.5 in December. Hong Kong manufacturing was better than feared at 42.1 vs 36.5. Japan manufacturing PMI missed at 48.4 vs 48.8. Eurozone PPI came in hot at 0.2% vs 0.1%. EU services PMI was strong at 52.8 vs 52.4 while composite PMI overall beat as well. German, UK, Italian, and Spanish services PMI all beat as well in an overall good morning. German retail sales came in much better than feared at 2.1% vs 1.1% in November.

S&P TECHNICALS

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



2753 Advancing	Declining 4676
35.1%	59.7%
232 New High	New Low 32
87.9%	12.1%
5641 Above SMA50	Below 2099
72.9%	27.1%
5335 Above SMA200	Below 2405
68.9%	31.1%

KEY EVENTS**Investor Events:** AMD (at CES), INTC (at CES)**Conferences:** CES 2020 (AAPL, ACN, ADP, AMZN, AVT, CI, CRM, DAL, DEO, EL, FB, GRUB, HPQ, IBM, INTC, IRBT, JCI, KBH, LYFT, MGM, PEP, PG, QCOM, SSNLF, T, UBER, UNH, VZ, WMT, WWE, MSFT, BSX, ARLO, DELL, ADBE, KLAC, MMM, CAR, PINS, FOX, DIS, FIT, WIFI, BBY, BUD, VOD, SNE, AMBA, ON)**Tomorrow...** Import/Exports at 8:30 AM, ISM Non-Manufacturing at 10:00, Factory Orders at 10:00**Earnings BMO:** ANGO**ANALYST ACTION/COMMENTS****Sanofi (SNY)** upgraded to Buy at JP Morgan**Nordstrom (JWN)** upgraded to Neutral at JP Morgan**Global Payments (GPN)** raised to Outperform at RayJay**Nokia (NOK)** upgraded to Strong Buy at RayJay**Bank of America (BAC), Citizens (CFG), Fifth Third (FITB)** upgraded to Buy at Barclays**Norton (NLOK)** upgraded to Buy at Barclays**Gentex (GNTX)** upgraded to Buy at Jefferies**Monarch (MCRI)** upgraded to Buy at Jefferies**Jeld-Wen (JELD)** upgraded to Buy at Jefferies**Google (GOOGL)** upgraded to Buy at Pivotal, \$1650 PT**Citi (C)** upgraded to Conviction Buy at Goldman, \$88 PT**State Street (STT)** upgraded to Buy at Goldman, \$95 PT**DR Horton (DHI)** upgraded to Buy at Evercore**Salesforce (CRM)** upgraded to Top Pick at RBC, \$215 PT**Ameritrade (AMTD), Lazard (LAZ), Bank of NY (BK), State Street (STT)** upgraded to Buy at Wolfe**Wesco (WCC)** upgraded to Buy at Longbow**Johnson Controls (JCI)** upgraded to Buy at Credit Suisse**Glaukos (GKOS)** upgraded to Buy at Berenberg**Santander (SC)** upgraded to Neutral at Stephens**Life Storage (LSI)** upgraded to Neutral at BAML**Welltower (WELL)** upgraded to Buy at Evercore**More on Page 6****MEDIA HIGHLIGHTS****Enbridge (ENB)** to mull refiling permit application for Freeport terminal – Reuters**Amazon (AMZN)** is a free-cash rocket ship, time to get on board, says Barron'sNY dangled extra incentives in **Amazon (AMZN)** HQ2 initial bid – WSJ ; **AMZN** considering stores in Germany - Reuters**Daimler, Volvo** mulling combustion engine tie-up - Reuters**McDonald's (MCD)** Looks Beyond Party Culture as New CEO Focuses on Workplace – WSJRegulators Mull Simulators Before **Boeing (BA)** 737 MAX Can Fly – WSJ**Town Sports (CLUB)** may announce deal for **Flywheel Sports** studios as soon as next week – BloombergRecord Flu Season May Be Boon for Hospitals, Bane for Insurers (**CYH, HCA, THC, UHS**)– Bloomberg**Goldman Sachs (GS), Morgan Stanley (MS)** targeted in BoE review – FT

Japan's first ESG real estate fund set for launch – Nikkei

Passive Investing boom hits Europe as assets hit \$1T – FT

Fujifilm to end **Xerox (XRX)** partnership in 2021 – Nikkei**Xerox (XRX)** secures financing for **HP (HPQ)** bid - WSJ

High Cost of Wildfire Insurance Hurts Cali Home Sales – WSJ

5G, IoT Privacy, Autos, and Smart-Home to Highlight CES 2020 this week – Wired

Bed Bath & Beyond (BBBY) strikes sale, leaseback deal with Oak Street - WSJ**STOCK SPECIFIC NEWS OF NOTE****Anixter (AXE)** to consider revised \$97-per-share proposal from **Wesco (WCC)****Hudson's Bay** agrees to be taken private for C\$11 per share**Elanco (ELAN)** signs agreement to divest Osurnia to **Dechra** for \$135M cash**Ambarella (AMBA), ON Semiconductor (ON), Lumentum (LITE)** enter 3D sensing platform collaboration**Mimecast (MIME)** announces acquisition of SegaseceMarketer: **Instagram's (FB)** U.S. user growth rate drops to single digits in 2019**Molina (MOH)** to acquire **NextLevel Health Partners**

PRE-MARKET MOVERS

Moving Higher: SDC 8.5%

Moving Lower: STM -2.5%, DB -2.5%, CNHI -2%

INSIDER TRADING (Form 4 Filings)

Buying: KOOL, CLUB, CAG, EPD

Selling: XLRN, TNET, PEN, AVL, EVER, AXX, CHWY, EBIX, PANW, FIXX, EVBG

POTENTIAL SYMPATHY TRADES

OPTION HIGHLIGHTS (from 12/20)

Upland Software (UPLD) buyers early for 500 April \$40 calls and now volumes running up over 800 with activity up to \$3 to open today. UPLD has 1300 January \$35 short puts in OI as well as some OTM January \$45 and \$50 calls from buyers in August that are far underwater. In November, the April \$35 puts were sold to open near 700X. UPLD is working out of a multi-week range this week and back above its 50-day MA with the 200-day and a wider base breakout above at \$41.50. Shares rallied in early 2019 up to \$54 but have pulled back to the 61.8% Fibonacci while the weekly is back at trend support with MACD nearing a bull crossover and RSI moving out of a range. The \$967.8M company trades 5.6X EV/sales and 8.2X cash. UPLD focuses on cloud-based enterprise management software with end-market reach across their portfolio into finance, professional services, marketing, and more. UPLD has a well-defined acquisition strategy and roll-up model and recently bought Altify, a leader in CRO solutions. The deal is accretive to EBITDA and expands them into a big new vertical. The company also raised guidance and now sees high-single digit EPS growth and sales up 19.35% in 2020. Analysts have an average target for shares of \$51.75. CSFB starting at Outperform on 11-6 with a \$48 PT. The firm notes management has a strong track record of integrating deals and the firm likes their approach of acquiring overlooked and underappreciated assets at disciplined multiples. Jefferies with a Buy rating as well while Craig-Hallum positive on the Altify deal as it is nicely accretive, fits well with existing solutions, provides a substantial new incremental addressable market opportunity. Short interest is high at 15.4%. Hedge fund ownership rose 20.78% in Q3. Silvercrest, Raging Capital, and Whetstone Capital notable adds.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.57	Falling
CBOE Index Put/Call Ratio	1.28	Neutral
CBOE Skew Index	33.46	Falling
VIX Curve	Contango	Normal
CNN Fear & Greed Index	93	Extreme Greed
NYMO	11.69	Neutral
NYSE New Highs		
McClellan Summation	917.54	Above 8-EMA
Cumulative AD	201971	New Highs
VXV:VIX	1.14	Neutral
Lipper Fund Flows	-\$1.3B	Neutral
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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Plains GP (PAGP)	Noble (NBL)	ArQule (ARQL)
Targa (TRGP)	Cal-Maine (CALM)	McDermott (MDR)
Lamb Weston (LW)	Incyte (INCY)	Yelp (YELP)
Kratos (KTOS)	Nevro (NVRO)	Clovis (CLVS)
Centennial Dev (CDEV)	MBIA (MBI)	Fitbit (FIT)
Penn National (PENN)	Welltower (WELL)	Irobot (IRBT)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Credit Suisse (CS)	Colfax (CFX)	Apellis (APLS)
Forescout (FSCT)	AK Steel (AKS)	Amarin (AMRN)
Switch (SWCH)	Sinclair (SBGI)	Avon (AVP)
TerraForm (TERP)	Medallia (MDLA)	Lamb Weston (LW)
Caseys General (CASYS)	ITT (ITT)	US Steel (X)
United Natural (UNFI)	SAP (SAP)	Michaels (MIK)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Sprint (S)	Murphy (MUR)	Apellis (APLS)
PG&E (PCG)	JD.com (JD)	Clovis (CLVS)
Fire-Eye (FEYE)	PG&E (PCG)	Prothena (PRTA)
Square (SQ)	Ford Motor (F)	Aravive (ARAV)
Roku (ROKU)	Citi (C)	Next Cure (NXTR)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Nio (NIO)	Silver (SLV)	Nevro (NVRO)
Snap (SNAP)	Citi (C)	MBIA (MBI)
BP (BP)	Tesla (TSLA)	Welltower (WELL)
Fire-Eye (FEYE)	Baidu (BIDU)	Centennial Dev (CDEV)
Halliburton (HAL)	Facebook (FB)	Penn National (PENN)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
JD.com (JD)	Smile Direct (SDC)	VACm April \$130/\$145 call spread 500X1,000
Marathon (MPC)	Expedia (EXPE)	SEAS, February \$32/\$35 call spread bought 1,000X2,000
KKR	Ericsson (ERIC)	CL, February \$70/\$75 call spread 2500X
Micron (MU)	Solar Edge (SEDG)	QURE, 1,000 January \$70/\$65 bull put spreads
Vale SA (VALE)	Hanes (HBI)	AMT, April \$240/\$250 call spread opening 1400X2800

Analyst Actions

Lamb Weston (LW) downgraded to Hold at Stifel

Galapagos (GLPG) downgraded to Neutral at JP Morgan

Travelers (TRV), Bright house Financial (BHF), Comerica (CMA), US Bank (USB) downgraded to Sell at Wells Fargo

Wells Fargo (WFC) downgraded to Neutral at Barclays

Boyd (BYD), Int'l Game (IGT) downgraded to Hold at Jefferies

Masco (MAS) downgraded to Hold at Jefferies

Virtu (VIRT) downgraded to Neutral at Goldman

Allegion (ALLE) downgraded to Sell at Credit Suisse

Dollar Tree (DLTR) downgraded to Sell at Loop Capital

Armstrong (AWI) downgraded to Sell at Evercore

JB Hunt (JBHT) downgraded to Neutral at Bernstein

Apple (AAPL) downgraded to Buy at Needham, \$350 PT

Nevro (NVRO) downgraded to Neutral at OpCo

Service Now (NOW) downgraded to Buy at RBC Capital

Morgan Stanley (MS) downgraded to Neutral at Deutsche Bank

Six Flags (SIX) downgraded to Neutral at Wedbush

AutoZone (AZO) downgraded to Neutral at Wedbush

News Continued

Barron's positive **DRI, CAKE, TAP, DIN, DAL, SAVE, WLL, CVX, VLO, CLR, DVN, MRO, EOG, WMB, VOD, BP, RDS.A, AMZN**; cautious on **WBA**

Antibiotic Makers Struggle, Hurting War on Superbugs – WSJ

Kudlow predicts 3 percent GDP growth in 2020 – The Hill

US proposes new export controls on satellite imagery software – FT

Trump administration pressed Dutch to cancel China chip-equipment sale (**ASML**) – Reuters

France warns U.S. against digital tax retaliation – Reuters

Fed focuses on repo market exit strategy – Reuters

Bernanke: Fed Has Many Tools to Deter Recession – WSJ

IoT Security Firm **Armis** in talks to be acquired for \$1B – Reuters

ChemChina, Sinochem merge agricultural assets – Reuters

Samsung to report preliminary earnings on 1/8 – Reuters

Regulators plan to visit **Boeing (BA)** this week to test new MCAS software – NYT

Johnson & Johnson (JNJ) Sued Over Baby Powder by New Mexico – NYT

Borden Becomes Second Big U.S. Milk Producer to File for Bankruptcy – Bloomberg

Pier 1 (PIR) to Shut More Stores, Cut Debt in Expanded Turnaround – Bloomberg

Little Caesars Teams Up With **DoorDash** on Delivery – WSJ

Boeing (BA) considers raising more debt as MAX crisis weighs - WSJ

Investor Advocates See Risks in Silicon Valley's Favorite IPO Alternative – WSJ

Cal-Maine (CALM) misses on EPS and Revs; will not pay dividend with respect to Q2

Commercial Metals (CMC) beats on EPS, Missed on Revs; sees construction, infrastructure demand to remain resilient

Tremor International acquires **News Corp's (NWSA)** Unruly

FibroGen (FGEN) appoints new CEO

Pfizer (PFE) Phase III JAVELIN Bladder 100 study met its primary endpoint

Sorrento (SRNE) says partner Mabpharm files NDA for Infliximab biosimilar antibody

SmileDirectClub (SDC) launches new line of oral care products at **Walmart (WMT)**

Extras

Diamondback (FANG) buyer at the close of 1,500 March \$100 calls for \$4.00

Targa (TRGP) closing strong with 5,000 February \$43/\$37 bull risk reversals opening as some Jan. \$40 calls roll up and out

Quest Diagnostics (DGX) with 1000 May \$100 puts bought late for \$3.30

Stone Co (STNE) afternoon buyers of 1,165 January \$41 calls for \$2.15 to \$2.25

Newmont Mining (NEM) buyers of 1,000 June \$44 calls for \$2.42 to \$2.44

Costamare (CMRE) with 2,000 June \$10 calls bought \$0.90 to \$0.95

Berkshire Hathaway (BRK.B) trader closing 2,000 Jan. 2022 \$170 calls and rolling up to buy the \$260 calls for \$13.20

Wabtec (WAB) with the February \$80 puts bought 600X for \$3.10 and spread with a sale of 900 February \$75 puts and 600 February \$85 calls

Gold (GLD) the February \$146/\$151 call spread bought 13,000X

Coherent (COHR) with 1500 February \$165 calls bought on Friday for \$11.70 to \$11.80, a more than \$1.8M buy, and most notable open interest in the name. COHR had some smaller buys in the Feb. \$160 calls in November for around \$565k while the May \$170 and \$180 calls with small buys. for Shares are flagging in a multi-week range under \$170 and key resistance that stretches back to September with a weekly measured move up to \$185. COHR focuses on lasers and laser-based tech (tools, precision optics, and measurement/control) for scientific applications, commercial and industrial markets. One key laser application is for processing flat panel displays where they won another big order in Q4 covering OLED fab with deliveries set for 2020. COHR has been weighed on a bit by weaker manufacturing PMIs and a slowdown in auto growth. The \$4.08B company trades 2.85X sales and 18X earnings with a nice cash balance and limited debt. COHR sees 67% and then 50% EPS growth the next two years with sales up 13-14%. They will be at the CJS Winter Conference on 1/8 and the Needham Global conference on 1/15. Short interest is 5.3% and down from around 7.5% in September. Hedge fund ownership fell 7.5% in Q3. Maplelane Capital a buyer of shares and call options. Analysts have an average target for shares of \$177. Piper starting at Overweight on 12-20 with a \$205 PT. The firm thinks COHR and other fiber laser suppliers will see a significant reacceleration in revenue growth in 2020 amid easy comps, lessening trade concerns and favorable product cycles. Further, the company's exposure to OLED will also experience rapid growth in 2020 and beyond while improving industrial sales should give them significant operational leverage. Susquehanna upgrading to Positive on 12-16. The firm thinks COHR fundamentals are bottoming while the CEO change remains a "wild card," but with Fiber Laser bottoming they believe the change will only lead to an improving margin profile.

Small-Cap Focus: CCC

Clarivate Analytics (CCC) an interesting name setting up well just below the 2019 highs with a multi-week range targeting 16% upside on a breakout. The \$5.25B company was formed in 2016 after Thomson Reuters's (TRI) IP and Science business was spun off and went public in 2019 after a merger. They focus on subscription services around science and academic research, patent intelligence, pharmaceutical/biotech trademark, and compliance. Their research is used in analysis of discovery, development, and commercialization of brands and ideas in the life sciences field. CCC has launched a number of high-profile companies like CompuMark in the 1980s up through Cortellis in the 2010s. Their model is high-margin and predictable with recurring revenue streams, scalability (their philosophy is 'build once, sell many times') and low-capital requirements which allows them to reinvest cash flow into the business. Their separation from TRI has also allowed them to explore a lot of inorganic growth streams like M&A. In 2020, the company expects to continue simplifying their structure while moving more into cloud-based services as they combine and phase out legacy applications. They're also updating a lot of older programs to utilize things like AI and machine learning. For example, Cortellis can now use 15 year of pharmaceutical intelligence to help forecast the timeline and probability of success for a drug while optimizing pipeline forecasts and daily expectations. Shares trade 27.6X earnings and 7.3X sales with 20% EPS growth and mid-single digit sales. RBC starting at Buy on 12-11 with a \$21 PT and the analyst notes that while the "journey" will take time, he anticipates Clarivate to deliver initiatives, innovation, and best practices that will yield accelerating revenue growth, expanding margins, and cash generation.