

TOP STORIES

- Global Markets Rebound as Fears Over Immediate Iranian Response Fade
- Pentagon Dismisses Report It Is Planning Withdrawal from Iraq
- US, France Aim for Compromise Over French Digital Tax Proposal
- NY Fed: US Consumers, Not China, Paying for Trump's Tariffs

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3245.5 (1.5)	-1.43
Nasdaq	8869.5 (22)	4.99
Dow	28657 (15)	-13.38

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7584.75	0.12%
DAX	13245.97	0.91%
Nikkei	23575.72	1.6%
Hang Seng	28322.06	0.34%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Int'l Trade	-\$43.9B
10:00	Factory Orders	-0.7%
10:00	ISM Non-Mfg	54.5

FOREX

EUR/USD	1.118 (-0.12%)
USD/JPY	108.39 (0.03%)
USD/CAD	1.2983 (0.15%)
GBP/USD	1.3138 (-0.22%)

COMMODITY

Oil	62.77 (-0.80%)
Natural Gas	2.11 (-1.17%)
Gold	1569.6 (0.05%)
Copper	2.792 (0.07%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.95 (-0.5%)
Nasdaq	VXN	17.08 (0.77%)
Oil	OVX	32.28 (1.13%)
Gold	GVZ	14.05 (4.38%)

MARKET OUTLOOK

Futures are indicating a flat open for the day but sentiment is more upbeat today as fears over Iran fade a bit. Oil continues to fade the Monday move higher with WTI down around 80 bps. The situation remains in flux, overall, with US forces preparing for any situation while Iran has pledged to retaliate in a 'historic nightmare' for the US. VP Pence will speak on Monday and outline the US policy towards Iran at the Foundation for Defense of Democracy Summit. Back in Washington, a new report from the NY Fed concluded that US businesses and consumers, not China, are bearing the financial burden of tariffs. The US and France also set a 2-week deadline to resolve their digital tax issues.

Asian markets rebounded a bit this morning as immediate fears around Iran pulled back a bit. Tech led the bounce back with the Nikkei jumping around 1.6% and recovering most of Monday's losses. **Sony (SNE)** was up 3% to its highest level in 18+ years amid CES which is ongoing. **Fujitsu** closed at its highest level since 2006.

European markets also recovered this morning with the DAX leading. Chip stocks were helped by the **Microchip (MCHP)** announcement with **Infineon** up around 3.5%. Autos were a busy area, albeit mixed, with **BMW** up 1% and **Rolls Royce** moving from green-to-red despite a very positive sales update. **Aston Martin** down 12% after warning on profits in 2020 citing weak demand in Europe.

Finally, looking at **economic data** for the morning it was a rather quiet session. Japan services PMI came in light at 49.4 vs 50.6. EU CPI was in line at 1.3% in December. Retail sales were strong up 1% in November vs 0.6% forecast. Italian CPI fell slightly.

S&P TECHNICALS

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



KEY EVENTS**Investor Events:** NXPI (at CES)**Conferences:** CES 2020, Goldman Energy (CRC, RRC, PBF, OII, HCR, FLMN, HP, DK), Citi Global TMT (CLNY, EQIX, JBL, JCOM, OUT, SBAC, UNIT, VZ)**Tomorrow...** ADP Employment at 8:15 AM, EIA Crude Inventories at 10:30**Earnings BMO:** STZ, GBX, LEN, MSM, RPM, SCHN, WBA**ANALYST ACTION/COMMENTS****Wingstop (WING)** upgraded to Hold at Jefferies**EOG Resources (EOG)** upgraded to Buy at BAML**PBF Energy (PBF)** upgraded to Buy at BAML**Nexstar (NXST)** upgraded to Overweight at Wells Fargo**Cal-Maine (CALM)** raised to Neutral at Cleveland Research**DR Horton (DHI), KB Home (KBH)** upgraded to Buy at Raymond James**Kellogg (K)** upgraded to Buy at Credit Suisse**Zimmer Bio (ZBH)** upgraded to Buy at Piper**S&P Global (SPGI)** upgraded to Buy; **Moody's (MCO)** upgraded to Neutral at MSCO**Lincoln National (LNC)** upgraded to Buy at MSCO**T-Mobile (TMUS)** upgraded to Buy at Nomura**Verisk (VRSK)** upgraded to Buy at MSCO**CSX Corp (CSX)** upgraded to Positive at Susquehanna**TransUnion (TRU)** upgraded to Buy at MSCO**Fire-Eye (FEYE)** upgraded to Buy at Sun Trust**Quanta (PWR)** upgraded to Buy at Baird**Micron (MU), Western Digital (WDC)** upgraded to Buy at Cowen**Timken (TKR)** upgraded to Buy at BAML**Aerojet (AJRD)** upgraded to Buy at Jefferies**Nokia (NOK)** upgraded to Buy at New Street**Akamai (AKAM)** upgraded to Buy at Guggenheim**Patterson (PDCO)** upgraded to Buy at Guggenheim**Square (SQ)** upgraded to Buy at BAML, \$75 PT**MEDIA HIGHLIGHTS**

Byron Wien Predicts S&P 500 Will Top 3,500 as Fed Cuts Rates – Bloomberg

Baidu (BIDU) said to eye secondary listing in HK - SCMP**Advanced Micro (AMD)** claims new laptop chips outperform **Intel (INTC)** – CNBC**Aston Martin** expects annual profit to nearly halve on Europe weakness – CNBCRoundup Ruled the Farm, Now Its Maker Has a Challenger (positive **CTVA**) – WSJChina Targets Internet Giants in Antitrust Law Overhaul (**FB, GOOG, BABA**) – Bloomberg**General Motors (GM)** Warns China Sales Will Remain Weak This Year – Bloomberg**Impossible Foods** to trial plant-based sausage patty with **Burger King (QSR)** – Reuters**Lockheed's (LMT)** Long-Troubled F-35 Shows Improvement, Pentagon Finds – BloombergDOJ Closes **Uber (UBER)** Bribery Probe - WSJ**STOCK SPECIFIC NEWS OF NOTE****Microchip (MCHP)** raises low-end of revenue guide**Merck's (MRK)** Phase 3 Keytruda trial meets one of two primary endpoints**Rhythm Pharmaceuticals (RYTM)** CEO steps down**Scotiabank (BNS)** announces certain items impacting Q1 reported results**Pier 1 Imports (PIR)** to close 450 locations, cut staff**ADT Inc. (ADT)** acquires **Defenders** for \$381M**Range Resources (RRC)** to suspend dividend**Town Sports (CLUB)** to acquire studio business of **Flywheel Sports****Diamondback Energy (FANG)** reports Q4 average daily production up 65% Y/Y**American (AAL)** reaches compensation agreement with **Boeing (BA)** over MAX grounding**Rolls Royce** Delivers Historic Sales in 2019**Interdigital (IDCC)** sees Q4 above Street**Apache (APA), Total (TOT)** announce significant discovery offshore Suriname on Block 58

PRE-MARKET MOVERS

Moving Higher: APA 12%, SQ 3%, MU 3%, WDC 3%, STM 2.7%, FEYE 1.8%, TSLA 1.7%

Moving Lower: UNG -1.5%

INSIDER TRADING (Form 4 Filings)

Buying:

Selling: HUBS, CARG, SEDG, ZUMZ, RMD, MORN, ADP, NEOG, XYL

POTENTIAL SYMPATHY TRADES

ADI, ON, STM, MXIM, TXN, SLAB – on MCHP pre-announcement

OPTION HIGHLIGHTS (from 12/20)

Neurocrine (NBIX) IV rising with bullish afternoon action as 865 May \$110 calls being bought to open up to \$10.30 with action starting near \$9.24 as IV gets bid up significantly. On 12/26 the August \$115 calls saw a large opening buy for 800X, or \$750K. NBIX shares are working out of a nice base along its 55 MA to start this week and recent highs near \$120 in sight on momentum above \$114.50. The \$10B Biotech trades 13X EV/Sales and 30X Earnings as one of the strongest recent commercial launch success stories and in the hot Neurology space. NBIX posted 46% Y/Y revenue growth last quarter beating estimates and after 70% revenue growth in FY19 it sees 37% growth in FY20 while EPS seen rising to \$3.55/share from \$0.73/share. NBIX is also preparing for the commercial launch of Opicapone and advancing the CAH development programs while also reviewing its gene therapy program for Parkinson's and Friedreich's Ataxia. Analysts have an average target of \$118 and short interest is 5% of the float. CSFB cut shares to Neutral on 12-13 with a \$110 target on valuation. Piper raised its target to \$153 on 12-12 noting ample runway for significant value creation. RBC with a note in September that Ingrezza could be approved for Huntington's and add 20% to revenue estimates for the drug. Hedge Fund ownership fell 2.6% in Q3 filings, Perceptive Advisors a top concentrated holder as its top position and Healthcor & Oribimed also large holders.

AFTER HOURS MOVERS

Gainers: XERS 25%, MCHP 4.4%, ZNGA 2.5%

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

Summit (SUM) files to sell 3.25M shares

Alexandria Re (ARE) 6M secondary priced \$155

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

Unusual Put Activity

Implied Volatility Riser

Progressive (PGR)

Allot (ALLT)

Pareteum (TEUM)

Evergy (EVRG)

CNX Resources (CNX)

McDermott (MDR)

Raytheon (RTN)

Lending Club (LC)

Editas (EDIT)

Campbells (CPB)

Cal-Maine (CALM)

Habit Restaurants (HABT)

Pareteum (TEUM)

Golar (GLNG)

Overstock (OSTK)

PROS Holdings (PRO)

Cincy Bell (CBB)

Irobot (IRBT)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

VBC Vaccines (VBIV)

BGC Partners (BGCP)

Zion (ZN)

Therapeutics MD (TXMD)

Lending Club (LC)

Opko (OPK)

Five Prime (FPRX)

Ardmore (ASC)

Fitbit (FIT)

Knowles (KN)

Noble Energy (NBL)

Gamestop (GME)

Frontdoor (FTDR)

Glaukos (GKOS)

BGC Partners (BGCP)

Nuance (NUAN)

YPF SA (YPF)

Hecla (HL)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Macys (M)

Signet (SIG)

Apellis (APLS)

First Solar (FSLR)

Apellis (APLS)

Clovis (CLVS)

Datadog (DDOG)

Mosaic (MOS)

Prothena (PRTA)

Blackberry (BB)

Wells Fargo (WFC)

Aravive (ARAV)

Smile Direct (SDC)

Bed Bath (BBBY)

Next Cure (NXTR)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Apple (AAPL)

Lyft (LYFT)

Cal-Maine (CALM)

Facebook (FB)

Luckin (LK)

Golar (GLNG)

BP PLC (BP)

Aphria (APHA)

Cincy Bell (CBB)

Macys (M)

Canopy Growth (CGC)

Pareteum (TEUM)

CrowdStrike (CRWD)

Ford (F)

PROS Holdings (PRO)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Pfizer (PFE)

Centene (CNC)

EOG, 1500 February \$92.5/\$100 call spreads

Barrick (GOLD)

Vulcan Materials (VMC)

PXD, 1500 February \$165/\$180 call spreads

Walgreens (WBA)

PVH Corp (PVH)

CCXI, August \$35/\$25 put spread bought 1,000X2,000

US Steel (X)

Lyondell (LYB)

UNH, 5500 February \$290 synthetic long positions

Dollar General (DG)

Under Armour (UAA)

RTN, 1500 March \$210/\$185 bull risk reversals

News Continued

Xeris (XERS) reports 'positive' results from Phase 2 study of RTU glucagon

Apellis (APLS) says Pegcetacoplan meets primary endpoint in Phase 3 study

Amicus (FOLD) CEO says AT-GAA efforts continue 'at a momentous pace'

Tyme Technologies (TYME), Eagle Pharma (EGRX) announce strategic collaboration

Pacira (PCRX) says EXPAREL achieves primary, secondary endpoints in Phase 4 study

Earnings

Clovis (CLVS) preliminary Q4 revenue below Street

AngioDynamics (ANGO) Q2 Beats on EPS, Missed on Revs; Affirms FY

Amarin (AMRN) sees FY19 \$410M-\$425M vs \$417.54M; FY20 at \$650M-\$700M vs \$687.48M

Himax (HIMX) preliminary Q4 revs Above Street

MCHP raising guidance - "We continued to experience strong bookings in December 2019 that resulted in better than expected billings for the December 2019 quarter and improved backlog for the March 2020 quarter" said Steve Sanghi, Microchip's CEO. "The December 2019 quarter book-to-bill ratio was above 1.0 after several quarters of the book-to-bill ratio being below 1.0. The opening backlog for the March 2020 quarter is currently significantly higher than the opening backlog was for the December 2019 quarter. Microchip is seeing strength coming from all major geographies including the U.S., Europe and Asia, as well as several major end markets including data center, industrial and automotive." "Based on several inflexion points we are seeing in the business, we believe that the December 2019 quarter was the bottom of this cycle for Microchip, barring any negative developments on the U.S./China trade front or unexpected fallout from geopolitical events. We are preparing our factories and subcontractors to be able to deliver better than mid-single digit percentage sequential revenue growth in the March 2020 quarter. We will provide sales and earnings guidance for the March 2020 quarter on February 4, 2020 via our quarterly earnings release and conference call," concluded Sangh

Analyst Comments / Notes

PayPal (PYPL) upgraded to Buy at Bernstein

Resideo (REZI) upgraded to Buy at BAML, \$15 PT

Marriott (MAR) downgraded to Neutral at Raymond James

Chubb (CB) downgraded to Sell at Goldman

Stryker (SYK) downgraded to Neutral at Piper

Integra (IART) downgraded to Neutral at Piper

Hexcel (HXL) downgraded to Sell at Longbow

Ameriprise (AMP) downgraded to Neutral at MSCO

Accenture (ACN) downgraded to Sell at BAML

ADP downgraded to Neutral at Moffett Nathanson

FIS, Fiserv (FISV) downgraded to Neutral at Moffett Nathanson

Ecolab (ECL) downgraded to Hold at Boenning

Kohls (KSS), Gap (GPS) downgraded to Hold at Jefferies

Delek (DK), Chevron (CVX) downgraded to Sell at BAML ; **PSX** downgraded to Neutral

JP Morgan (JPM), Bank of America (BAC) downgraded to Neutral at UBS

Acushnet (GOLF) downgraded to Hold at Jefferies

IVERIC (ISEE) initiated Buy at Wedbush, \$13 PT

Glu Mobile (GLUU), Zynga (ZNGA) initiated Buy at Sun Trust

Owens Corning (OC), Beacon (BECN) initiated Buy at Loop Capital

Citi starting **TXG, GH, HOLX, AVTR, BIO, TMO, CRL, IQV, SYNH, ILMN, DHR** at Buy; **PKI, QGEN, PRAH, ICLR, MTD, BRKR, A, TECH** at Neutral; **WAT** at Sell

Chart Industries (GTLS) initiated Buy at BTIG

Extras

Slack (WORK) buyers of over 2000 Jan. 24th (W) \$22 calls \$2 to \$2.05 last 6 minutes of trading

Netflix (NFLX) with 2000 February \$330 straddles sold to open for \$37.96

Lennar (LEN) with 1300 February \$57.50 calls bought ITM to open \$2.71

VALE SA (VALE) with 5000 February \$13 puts sold to open for \$0.46 to \$0.45

Macy's (M) afternoon buy of 5000 January 31st (W) \$17.50 puts for \$1

State Street (STT) buyer 1500 February \$75 puts near \$1.23 after the Goldman upgrade lifted shares

Biogen (BIIB) late day trades opened February \$290/\$325 call ratio spreads 300X600

Nasdaq (NDAQ) buyer of 350 June \$110 puts ITM at \$6.20 offer to open

Allison (ALSN) opening buy 250 August \$45 calls \$5.95 at the ISE

Earnings Preview

Lennar (LEN) will report earnings on 1/8 before the open and a strong history higher seven of the last nine. The average closing move has been around 5% with a max move of 10%. LEN has seen a lot of bullish flow lately including buyers of the Feb. \$57.50 calls over 1300X yesterday for \$2.70 and activity across the January \$57 calls, Jan. \$57.50 calls, and Feb. \$60 calls since late October. On the chart, LEN has run in the 2H of 2019 up to \$62 before pulling back just above the 200-day MA and MACD now curling back over with RSI leading out of a downtrend. The longer-term channel higher from December 2018 targets a run back to \$65. The market is looking for \$1.89 on \$6.591B in revenue, a 1.8% increase Y/Y while the FY is targeting \$5.53 and \$21.73B. The \$17.8B homebuilder trades 9.6X earnings and 0.82X sales and screens cheap relative to peers like DHI, PHM, and TOL. LEN has notable scale in their markets with a #1 market share in nearly 40% of the top markets. This is helping them get better land deals, more consistent labor, and other key aspects of construction and the day to day. Analysts have an average target for shares of \$61.50. Wedbush positive on 12-30 seeing shares as undervalued, "especially in light of the company's shift to more affordable product." They also note that homes for sale in the top 25 markets fell 8% in November and this decline in supply of existing homes for sale should be positive for homebuilder pricing power and unit volumes. BAML positive on 11-11 with a \$66 PT seeing a long runway ahead, supported by improved affordability, a healthy consumer and a decade of underbuilding. They think LEN has a number of key aspects including: (1) the benefits of size and scale cannot be overstated; (2) LEN is a technology leader; and (3) cash flow and returns are the primary focus.