

**TOP STORIES**

- Iran Fires More than a Dozen Missiles at US Forces in Iraq
- Trump Tweets ‘All is Well’ as Tensions Appear to Subside Between Two Sides
- Gold Surges to 6-Year High
- Ukrainian Boeing Airliner Crashed Shortly After Takeoff
- USMCA Vote Could Be Delayed As Much As a Month Due to Impeachment
- German Factory Orders Sink Unexpectedly

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3243.5 (8.25)</b>	<b>6.22</b>
<b>Nasdaq</b>	<b>8876.25 (23.25)</b>	<b>13.8</b>
<b>Dow</b>	<b>28538 (12)</b>	<b>-10.68</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7578.05</b>	<b>0.06%</b>
<b>DAX</b>	<b>13245.79</b>	<b>0.14%</b>
<b>Nikkei</b>	<b>23204.76</b>	<b>-1.57%</b>
<b>Hang Seng</b>	<b>28087.92</b>	<b>-0.83%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>8:15</b>	<b>ADP Employment</b>	<b>157k</b>
<b>10:00</b>	<b>Lael Brainard Speaks</b>	
<b>10:30</b>	<b>EIA Petroleum</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1126 (-0.22%)</b>
<b>USD/JPY</b>	<b>108.71 (0.27%)</b>
<b>USD/CAD</b>	<b>1.3006 (0.02%)</b>
<b>GBP/USD</b>	<b>1.3114 (-0.07%)</b>

**COMMODITY**

<b>Oil</b>	<b>62.75 (0.08%)</b>
<b>Natural Gas</b>	<b>2.161 (-0.05%)</b>
<b>Gold</b>	<b>1579.30 (0.32%)</b>
<b>Copper</b>	<b>2.8025 (0.32%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>13.64 (-1.52%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>17.00 (-1.05%)</b>
<b>Oil</b>	<b>OVX</b>	<b>31.89 (-1.33%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>13.94 (-1.90%)</b>

**MARKET OUTLOOK**

Futures are indicating a positive open this morning which is fairly surprising considering we were down almost 1.5% at one point last night. The big oscillation occurred on the back of an Iranian response to the US killing of Soleimani wherein they launched a series of missile attacks on an Iraqi base that housed US troops. The big takeaway appear to be that there were no US casualties and unless the US responds (highly unlikely) this is the beginning of the de-escalation as Iran feels somewhat satisfied. Neither side gains much from continuing to go deeper into this crisis, so last night’s strike – albeit some shock value to see on TV – is being taken as a net positive. Trump will speak today (sometime AM) but nothing material likely to come from it. OPEC again affirmed that oil markets are well supplied. And, the market appears to be shifting its focus back onto earnings which kick off next week and the signing of Phase One of the trade deal.

Asian markets finished the day much lower than the rest of the world but most of the Iran rebound happened after their close. Breadth was pretty weak in Japan with 213 down vs 11 up. Shipper **Kawasaki Kisen** down near 6%.

European markets have broadly recovered most of the move lower overnight. The DAX was a bit weak early in the session after poor industrial data (see below) but has bounced back. Overall it has been a quiet session. Boeing suppliers **Senior PLC** and **Safran** both down around 1.5% early but the latter is now nearly green on the day.

It was a quiet night for **economic data**. Japanese Household confidence fell slightly to 39.1 vs 39.6 while spending also decreased slightly. Eurozone services sentiment improved while industrial outlook fell again. Consumer confidence was in line and continued to weaken. UK housing prices improved in December by 1.7% vs 0.6% with November revised higher as well. German factory orders fell 1.3% in November, a bit worse than the 0.2% gain forecast.

**S&P TECHNICALS**

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



3211 Advancing	Declining 4245
41.0%	54.2%
338 New High	New Low 40
89.4%	10.6%
5495 Above SMA50	Below 2241
71.0%	29.0%
5335 Above SMA200	Below 2401
69.0%	31.0%

**KEY EVENTS****Earnings After the Close:** BBBY, HELE**Conferences:** CES 2020, Citi Global TMT, Goldman Energy**Tomorrow...** Weekly Claims at 8:30 AM**Earnings BMO:** AYI, AZZ, LNN, SMPL**ANALYST ACTION/COMMENTS****Scientific Games (SGMS)** upgraded to Buy at Stifel**Apache (APA)** upgraded to Buy at Stifel**Occidental (OXY)** upgraded to Buy at Mizuho**Brighthouse (BHF)** upgraded to Neutral at Goldman**M/I Homes (MHO)** upgraded to Buy at JMP Securities**Ciena (CIEN)** upgraded to Buy at MSCO, \$50 PT**CommScope (COMM)** upgraded to Buy at BAML**Cubic (CUB)** upgraded to Buy at SunTrust**Barnes (B)** upgraded to Hold at Sun Trust**Spirit Aero (SPR)** downgraded to Hold at Barclays**Becton Dickinson (BDX)** downgraded to Hold at Barclays**Waters (WAT)** downgraded to Sell at Needham**Boeing (BA)** downgraded to Hold at Cowen**Kohls (KSS)** downgraded to Hold at Cowen**Zebra Tech (ZBRA)** downgraded to Sell at MSCO**Corning (GLW)** downgraded to Neutral at MSCO**Restaurant Brands (QSR)** downgraded to Sell at BAML**Cisco (CSCO), Palo Alto (PANW), Fire-Eye (FEYE)** downgraded to Hold at BAML**Southwest (LUV)** downgraded to Neutral at BAML**Wynn (WYNN)** downgraded to Hold at Citi**Yum Brands (YUM)** downgraded to Neutral at Cowen**VF Corp (VFC)** downgraded to Hold at WedbushWells Fargo starting **CRL, BRKR, BIO, A, AVTR, LH, DHR** at Overweight; **HOLX, ICLR, MTD, PKI, QGEN, TECH, TMO** at Neutral; and **ILMN, DGX, WAT** at Sell**BEAT, MDT, NUVA, GMED, KIDS, IRTC** initiated Buy at Sun Trust**MEDIA HIGHLIGHTS****Boeing (BA)** 737 Passenger Jet Crashes in Iran Due to Technical Issue – Bloomberg**Landec (LNDC)** disclosed potential FCPA violation – WSJ**McDonald's (MCD)** expanding **Beyond Meat (BYND)** pilot in Canada – Reuters**Macronix** posts decreased December revenue - Digitimes**Spotify (SPOT)** Is Developing Daily Sports Programs in Podcast Expansion – Bloomberg**Sainsbury** Boosted by Christmas Grocery Sales – BloombergDRAM Prices to Rise in 1Q20 as Power Outage at **Samsung** Fab Spurs Demand – DRAMeXchangeChina tech players court **Google (GOOG)** and **Apple (AAPL)** in IoT push – Nikkei**NMC Health** tumbles after major investors sell shares worth \$493M – ReutersElliott urges **Capgemini** to raise offer for **Altran** – Reuters**Caltex Australia** attracts more suitors in possible \$6 billion bidding war – Reuters**Anglo American** mulls £386m rescue bid for potash company **Sirius Minerals** – The Guardian**CITIC** to sell 22% stake in **McDonald's (MCD)** China business to PE arm – ReutersSpain's **Esteve** to buy German pharma firm **Riemser** from **Ardian** – Reuters**Alibaba (BABA)** undercuts **Amazon (AMZN)** in Europe to woo wary brands – Reuters**STOCK SPECIFIC NEWS OF NOTE****Samsung** profits beat estimates as chip prices recover**Luckin Coffee (LK)** files to sell 12M ADS**United Airlines (UAL)** sees Q4 impairment related to HK**Aptiv (APTIV)** unveils Smart Vehicle Architecture at CES**Maxim (MXIM)** files patent infringement suit against **Monolithic Power (MPWR)****SeaSpine (SPNE)** sees Q4, FY above Street**A10 Networks (ATEN)** sees Q4 Above**Livent (LTHM)** Cuts FY Outlook on Weak Pricing**Cemex (CX)** divests UK assets for \$235M

**PRE-MARKET MOVERS**

**Moving Higher:** LEN 3%

**Moving Lower:** LK -4%, WBA -4%, BA -2%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** AMZN

**Selling:** CTSH, CME, CHE, F, DXCM, JAZZ, CARA, CHGG, ON, JBL, ELY

**POTENTIAL SYMPATHY TRADES**

**SPR, TGI** – on BA crash

**TOL, DHI, PHM, KBH** – on LEN earnings higher

**AMAT, AMD, MU, OLED, WDC** – on Samsung earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Trip.com (TCOM)** with buyers of more than 6,000 February \$38 calls this morning up to \$1 and follows over 1200 of the September \$40 calls bought yesterday around \$2.65. TCOM still has 6500 June \$35 puts sold to open that remain in OI and finding value around current levels. TCOM shares are trying to work back above the 200-day MA this week with the 8-EMA support just below today's range with the recent base targeting \$45 on a move higher. TCOM is forming a big higher low vs the October range as it looks to bottom and work out of a downtrend from the 2018 highs up near \$60. The \$20.26B company trades 18X earnings, 4X sales and 3.2X cash with expectations for accelerating EPS growth (19.5% to 25% through FY21). Revenue growth is expected to remain steady at 13.5% and 15%. TCOM has favorable tailwinds from growing travel within China, up to 611M in 2018 vs just 230M in 2009, and wide adoption among China's middle class. TCOM has a number of verticals to take advantage including reservations, transportation ticketing, packaged tours, corporate travel, and other destination services. In November, they reported their 12<sup>th</sup> straight quarter of triple-digit growth for air ticketing volumes while revenue is being driven by higher International ticketing demand. On 11-13 they announced a JV with TripAdvisor (TRIP). Analysts have an average target for shares of \$42.80 with 15 buy ratings and 4 hold ratings. Mizuho positive in November after earnings seeing geopolitical weakness as a short-term issue. TCOM remains the "best-in-class" online travel agency globally due to easing competitive pressure within China and outbound travel opportunities with limited competition. Short interest is 2.3%. Hedge fund ownership jumped 45% in Q3. Jane Street Capital, Point72, and Broad Peak Investments notable buyers.

**AFTER HOURS MOVERS**

**Gainers:** CDEV 11%, WLL 10%

**Losers:** LTHM -14%

**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**

**SeaSpine (SPNE)** 6.8M secondary priced \$12.50

**Intra-Cellular (ITCI)** 10M secondary priced \$29.50

**Avantor (AVTR)** 8.6M block prices \$18.36-\$18.60

## 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
<b>Stock</b>	<b>27X</b>	<b>6.2X</b>	<b>4.4X</b>	<b>23.9X</b>	<b>26.77X</b>
<b>Industry Avg.</b>	<b>53.2X</b>	<b>7.3X</b>	<b>7.3X</b>	<b>58.5X</b>	<b>69.4X</b>

**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>
Ampio (AMPE)	Express (EXPR)	Telenav (TNAV)
Himax Tech (HIMX)	Cytokinetics (CYTK)	Lloyds (LYG)
Trip.com (TCOM)	Apellis (APLS)	Himax (HIMX)
PTC Therapeutics (PTCT)	PTC Therapeutics (PTCT)	Beyond Meat (BYND)
Apellis (APLS)	CBOE Global (CBOE)	Cliff's (CLF)
Magna Int'l (MGA)	Cars.com (CARS)	Gamestop (GME)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Millendo (MLND)	Cars.com (CARS)	Apellis (APLS)
Diebold (DBD)	Retrophin (RTRX)	AngioDynamics (ANGO)
Perspecta (PRSP)	Express (EXPR)	Clovis (CLVS)
Radius Health (RDUS)	Gulfport (GPOR)	McDermott (MDR)
Gran Tierra (GTE)	Noble (NBL)	One-Span (OSPN)
Rambus (RMBS)	Tupperware (TUP)	Luckin (LK)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Marvell (MRVL)	Canadian Solar (CSIQ)	Apellis (APLS)
Tencent Music (TME)	Valaris (VAL)	Clovis (CLVS)
Gilead (GILD)	Freeport (FCX)	Prothena (PRTA)
Halliburton (HAL)	HP (HPQ)	Aravive (ARAV)
Ford Motor (F)	Bed Bath (BBBY)	Next Cure (NXTR)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Tesla (TSLA)	JP Morgan (JPM)	PTC Therapeutics (PTCT)
Micron (MU)	Aurora (ACB)	CBOE Global (CBOE)
Twitter (TWTR)	Intel (INTC)	Cars.com (CARS)
Macys (M)	Walmart (WMT)	Apellis (APLS)
Boeing (BA)	Wells Fargo (WFC)	Magna Int'l (MGA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Alcoa (AA)	Goldman Sachs (GS)	ZEN, 680 August \$95/\$110 call spreads
Apache (APA)	Energizer (ENR)	JWN, 2700 January \$42 straddles sold to open
Trip.com (TCOM)	DuPont (DD)	MPC, 8000 April \$62.5/\$67.5 call spreads
Match (MTCH)	Global Payments (GPN)	BP, 4,450 June \$41/\$35 bull risk reversals
Blackrock (BLK)	Western Digital (WDC)	ZBH, 500 February \$145/\$135 put spreads

## News Continued

**Macy's (M)** plans to disclose larger job cuts in February – WWD

**Sonos (SONO)**, Squeezed by the Tech Giants, Sues **Google (GOOGL)** – NYT

Trust Banks Have Earned Some into Earnings (**STT, BK**) – WSJ

**58.com (WUBA)** seeking U.S. IPO of 58 Home online services unit – Bloomberg

**Amarin (AMRN)** sees 2019 sales at high-end of range

**Cott (COT)** to evaluate strategic alternatives to S&D Coffee and Tea

**Rockwell Automation (ROK)** to acquire Avnet Data Security

**Macy's (M)** reports November/December owned SSS down 0.7%

**Tradeweb Markets (TW)** reports ADV of \$652B for December, up 5.9% y/y

## Extras

**Allstate (ALL)** with 5000 April \$115 calls bought late to open at \$2.55 offer

**MercadoLibre (MELI)** buyer 550 February \$640 calls for \$28.31 with January \$630 calls adjusting

**Cisco (CSCO)** opening sale 1800 July \$45 puts for \$2.22 in a stock replacement

**JD.com (JD)** late spread bought 3,300 March \$39 calls \$2.13 and sold 4,000 March \$42 calls at \$1.05

**MasterCard (MA)** closed weak with 1000 June \$300 puts opening for over \$1.5M

**Roku (ROKU)** weak day and closed near lows with 1000 March \$125 puts bought last 10 minutes of trading for over \$1M

**Peloton (PTON)** afternoon buyer 1500 Jan. 31<sup>st</sup> (W) \$31 calls for \$1.68

**Pinduoduo (PDD)** with 2000 February \$40 puts sold to open near \$1.70

**Heron Therapeutics (HRTX)** into weakness with a spread selling 2000 April \$18 puts to buy 2000 of the \$25/\$30 call spreads, net trade cost around zero

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
STZ	Constellation Brands	\$2.14	\$1.84	\$1,990.0	\$1,949.28		Raising FY
GBX	Greenbrier	\$0.30	\$0.43	\$769.40	\$748.17	27.30%	

LEN	Lennar	\$2.13	\$1.89	\$6,971.50	\$6,597.39	7.90%	
MSM	MSC Industrial	\$1.21	\$1.17	\$823.60	\$820.84	-1.00%	FY In Line
RPM	RPM Inc	\$0.76	\$0.73	\$1,401.30	\$1,394.48	2.80%	
SCHN	Schnitzer Steel		-\$0.16		\$406.46		
UNF	UniFirst		\$2.02		\$459.19		
WBA	Walgreens Boots Alliance	\$1.37	\$1.41	\$34,339.00	\$34,446.03	1.60%	