

TOP STORIES

- WTO Lowers Global Trade Outlook for 2019
- Bank of Australia Cuts Rates, Signals More Cuts
- Eurozone PMI Data Sours Mood After Stocks Hit 2 Month High
- Gold Dips on Strong Dollar, Trade Optimism
- US Dollar Strengthens with Weak Data

INDEX FUTURES

| Futures | Change | Fair Value |
|--------------------|--------------------|----------------------|
| S&P 500 | 2983.5 (5) | 2978 (-0.6) |
| Nasdaq | 7789 (18.5) | 7767.5 (-3) |
| Dow | 26944 (43) | 26888.8 (-12) |

GLOBAL INDICES

| INDEX | CLOSE | CHANGE |
|------------------|-----------------|---------------|
| FTSE | 7375.8 | -0.44% |
| DAX | 12405.45 | -0.18% |
| Nikkei | 21885.25 | 0.6% |
| Hang Seng | 26092.3 | 0.53% |

ECONOMIC CALENDAR

| TIME | INDICATOR | CONSENSUS |
|---------------|--------------------------|-------------|
| 9:45am | PMI Manufacturing | 51 |
| 10am | US Manufacturing | 50.1 |

FOREX

| | |
|----------------|-----------------------|
| EUR/USD | 1.0906 (0.08%) |
| USD/JPY | 108.24 (0.15%) |
| USD/CAD | 1.3272 (0.24%) |
| GBP/USD | 1/2309 (0.18%) |

COMMODITY

| | |
|--------------------|------------------------|
| Oil | 54.64 (1.05%) |
| Natural Gas | 2.31 (-0.86%) |
| Gold | 1474.3 (0.1%) |
| Copper | 2.5385 (-1.55%) |

VOLATILITY INDICES

| INDEX | SYMBOL | CLOSE |
|----------------|------------|----------------------|
| S&P | VIX | 16.25 (-5.7%) |
| Nasdaq | VXN | 20 (-4.1%) |
| Oil | OVX | 38.75 (-0.4%) |
| Gold | GVZ | 15.4 (2.4%) |

MARKET OUTLOOK

Stocks are indicating a positive open this morning as trade optimism continues into the US/China October talks while concerns over the delisting of Chinese companies appear misplaced. Eurozone PMI data came in weak causing stocks to give up gains while the Bank of Australia cut rates again to try to stimulate the sluggish export-driven economy. The WTO is once again reducing its outlook for 2019 global trade as trade tensions continue to hamper growth. We also saw Eurozone inflation slow which adds to the case for an ECB stimulus move.

The schedule today is fairly quiet with ISM Manufacturing data eyed at 10am, and also remain in a headline driven market related to US/China Trade.

Apple (AAPL) related suppliers on watch today after Tim Cook's positive comments on the iPhone 11 sales, and has a number of global stocks rallying. Here in the US a few names to eye for strength include **SWKS, QRVO, KN, JBL, CRUS** and **ADI**. Elsewhere, the Casino stocks **WYNN, LVS, MGM, MLCO** after some fairly soft Macau numbers for September.

The S&P continues to form a potential handle of a cup and handle pattern with the 50 day MA acting supportive. A move back above 3000 would likely lead to a breakout and target a measured move of 3100 though we are seeing certain breadth indicators start to roll over. The 2945 and 2925 levels seen as near-term support.

S&P TECHNICALS

Levels: Support 2,825/2,800; Resistance 3,020/3,060



| | | |
|------------|-----------|----------------|
| 4190 Above | SMA200 | Below 3548 |
| 54.1% | | 45.9% |
| 4208 Above | SMA50 | Below 3530 |
| 54.4% | | 45.6% |
| 148 | New High | New Low 153 |
| 49.2% | | 50.8% |
| 4567 | Advancing | Declining 2822 |
| 58.3% | | 36.1% |

KEY EVENTS

Conferences: NACS 2019 (BUD, CAG, CLX, CPB, ECL, FDP, FISV, FTNT, GIS, HRL, JNJ, K, KDP, KHC, KO, MDLZ, PEP, PG, PH, PRGO, SAM, STZ, TSN, SYY, UNFI, YUM)

Tomorrow... Motor Vehicle Sales, ADP Employment at 8:15 AM, EIA Petroleum at 10:30

Earnings AMC: LNDC, SFIX, UNFI

Earnings BMO: AYI, LW, LEN, PAYX, RPM

ANALYST ACTION/COMMENTS

Philip Morris (PM) Raised to Buy at BAML

Nation Vision (EYE) Raised to Buy at BAML

Analog Devices (ADI) Raised to Overweight at KeyBanc, \$130 Target

MicroChip (MCHP) Raised to Overweight at KeyBanc, \$110 Target

NXP Semi (NXPI) Raised to Overweight at Keybanc, \$130 Target

TradeWeb (TW) Raised to Overweight at Barclays, \$45 Target

VMware (VMW) Raised to Outperform at Wells Fargo, \$180 Target

Spotify (SPOT) Raised to Hold at Evercore ISI

Celanese (CE) Cut to Neutral from Buy at Goldman

Xilinx (XLNX) Cut to Sector Weight at KeyBanc

US Silica (SLCA) Cut to Perform at Cowen

Public Storage (PSA) Cut to Underperform at Evercore

Fate Therapeutic (FATE) Started Buy at Stifel, \$27 Target

Iova (IOVA) Started Buy at Stifel, \$27 Target

FleetCor (FLT), Wex (WEX) Started Perform at Raymond James

Blackstone (BX) Started Outperform at Wells Fargo

MEDIA HIGHLIGHTS

Macau Gaming Reports September Revenues +0.6% Y/Y (**WYNN, MLCO, MGM, LVS**)

New Zealand Outdoor Clothing Maker **Kathmandu Holdings** to Buy Rip Curl for \$236M – Reuters

Apple (AAPL) CEO Tim Cook Says iPhone 11 Sales Off to Very Strong Start – CNBC

STOCK SPECIFIC NEWS OF NOTE

Diamondback (FANG) President and COO Resigns

Anaptsys Bio (ANAB) Reports Positive Topline Data for GALLOP Phase 2 Trials of ANB019

Elanco (ELAN) Announces Restructuring

United Tech (UTX) Pratt & Whitney Awarded \$2.2B Navy Contract

Glacier Bancorp (GBCI) to Acquire **State Bank** for \$135.3M

US Steel (X) Acquires 49.9% Stake in Big River Steel for \$700M Cash

CoStar (CSGP) to Acquire **STR** for \$450M Cash

McCormick (MKC) Reports \$1.46 vs. \$1.29; Revenues \$1.33B vs \$1.34B (+0.8%), Raises FY19 EPS

Brookdale (BKD) Announces Multi-Part Transaction with **HCP (HCP)**

PRE-MARKET MOVERS

Moving Higher:

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: KALV, GME, ULTA, PTON, MXL

Selling: SAIC, EGHT, MDB, CMTL, ICE, CAG, JACK, AEIS, MDT, SYK, CRVL, CRM

POTENTIAL SYMPATHY TRADES

OPTION HIGHLIGHTS (Prior Day)

Okta (OKTA) trying to hammer early w/ 1000 Oct \$103 calls bought for \$2.40. OKTA has 3500 October \$110 calls in open interest that accumulated with buyers, now firmly underwater but still a few weeks left until expiration. OKTA also has a lot of call open interest in November spread across multiple strikes. Shares are trying to hammer at the rising 55 week MA and a 50% retracement of the big 2018/2019 run. The \$11.9B provider of an identity platform for enterprises is trading 19.7X EV/Sales and has been posting impressive results, over 55% revenue growth in 2019 and 40%+ seen in FY20. OKTA will speak at the Berenberg Conference on 10-3. OKTA expects profitability in FY22 behind higher subscription mix and a shift towards larger contract, high-margin deals. Analysts have an average target of \$143 on shares and short interest is 8.6% of the float. DA Davidson raised its target to \$131 recently with success of new products and large deal momentum, a company firing on all cylinders. JP Morgan raised its target to \$168 from \$127 citing impressive growth and product portfolio. Piper boosted its target to \$160 saying OKTA is in a class of its own. Hedge Fund ownership fell 6.9% in Q2 filings, Gilder Gagnon & Howe and Alkeon notable holders.

AFTER HOURS MOVERS

Gainers: PRSP 3%, GME 2.4%, ERIC 2%, RUN 2%, CAM 1.6%, SFI 1.6%, ZNGA 1.2%

Losers: HXL -2.2%, FANG -1.6%, VIRT -1.7%

MARKET SENTIMENT / INTERNALS

| INDICATOR | READING | SIGNAL |
|--------------------------------------|---------------|---------------------|
| CBOE Equity Put/Call Ratio | 0.68 | Rising – Cautious |
| CBOE Index Put/Call Ratio | 1.23 | Elevated – Cautious |
| CBOE Skew Index | 116.61 | Low |
| VIX Curve | Contango | Normal |
| CNN Fear & Greed Index | 52 | Neutral |
| NYMO | -19.7 | Modestly Oversold |
| NYSE New Highs – New Lows | 49% New High | Neutral |
| McClellan Summation | 734.57 | Below 8-EMA |
| Univ. of Michigan Consumer Sentiment | 92.3 (August) | Weakening |

SMART MONEY (13g/13d Filings)

IPO MONITOR

Five clinical-stage biotech companies will debut **ADCT, APRE, FREQ, MNPR, and VIE**

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

CLH:



Clean Harbors (CLH) showing impressive relative strength with shares consolidation beneath the \$78 level, riding the 21 day EMA as support. Shares can target a move to \$85 on a breakout.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Carpenter Tech (CRS)

Price: \$51.54

Valuation: Undervalued

Key Ratios:

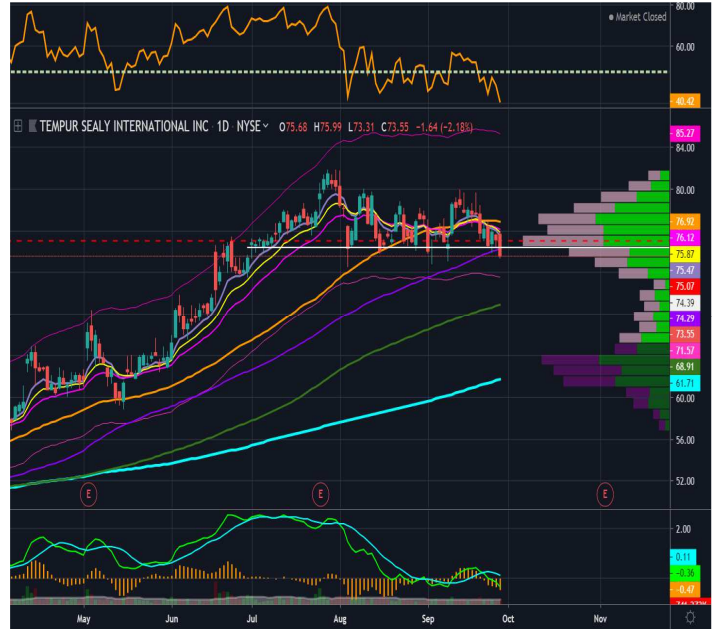
| | Fwd. PE | P/S | P/B | EV / EBITDA | P/FCF |
|----------------------|-------------|--------------|--------------|-------------|-------------|
| Stock | 9.8X | 1.04X | 1.62X | 7.2X | 183X |
| Industry Avg. | 11X | 1.2X | 1.8X | 9X | 35X |

Analysis: CRS is a \$2.47B maker of specialty metals operating in a specialty alloys and performance engineered products segment. Shares trade at an attractive valuation while offering a 1.55% dividend yield and impressive top and bottom-line growth. It has seen strong backlog growth in both the Aero/Defense and Medical businesses. It is coming off its strongest quarterly operating income quarter in six years.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

TPX:



Tempur Sealy (TPX) closed last week below the rising 89 day MA and broke a significant support level with a large volume pocket below. Shares can move back to the mid-\$60's as upward momentum is broken.

PAIR TRADE OF THE WEEK

Industry: Lodging

Long/Short: Long **Expedia (EXPE)** / Short **Marriott (MAR)**

Analysis: EXPE with a \$19.47B market cap is trading 16.2X Earnings and 9.2X EBITDA with a top-line growing 8-10% per year and 15%+ bottom-line growth. EXPE owns Home-Away which along with Airbnb continues to disrupt the traditional hotel operators. MAR has a \$40B market cap and trades 18X Earnings and 13.8X EBITDA while seeing much weaker growth, EPS down 2.8% Y/Y in 2019.

SMALL CAP TRADE OF THE WEEK

LivePerson (LPSN) is a \$2.4B software provider trading at a reasonable valuation of 7.8X EV/Sales while still delivering 15% revenue growth and seeing a strong future path to profitability. LPSN is targeting the field of conversational commerce and sees a \$60B market opportunity. The future is massive with an example being LPSN recently tested a food ordering service via mobile messaging at sporting venues. It is disrupting and replacing voice calls, web site apps, and retail store traffic. It continues to build out the sales force and posted a 75% growth in 1H bookings. I see LPSN as a likely M&A target on the future.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

| | | |
|----------------------|-------------------------|--------------------|
| Viewray (VRAY) | Store (STOR) | Amarin (AMRN) |
| Intersect-ENT (XENT) | Church and Dwight (CHD) | Southwestern (SWN) |
| Tempur Sealy (TPX) | Rockwell (ROK) | PG&E (PCG) |
| Euronet (EFT) | Immersion (IMMR) | PTC (PTCT) |
| Frontline (FRO) | Bio-Tele (BEAT) | Lyft (LYFT) |
| First Energy (FE) | Sea (SE) | GE (GE) |

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

| | | |
|----------------|---------------------|--------------------|
| Hudson (HDSN) | Rockwell (ROK) | Dova Pharma (DOVA) |
| Benefit (BNFT) | Cerus (CERS) | Clovis (CLVS) |
| Corteva (CTVA) | Macerich (MAC) | Immunomedic (IMMU) |
| Viavi (VIAV) | Pure Storage (PSTG) | Thor (THO) |
| Grupo (GGAL) | MSG Network (MSGN) | JD.com (JD) |
| Knowles (KN) | KKR (KKR) | Netease (NTES) |

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

| | | |
|----------------------|-------------------------|------------------------|
| Abbott (ABT) | Church and Dwight (CHD) | PG&E (PCG) |
| Autoliv (ALV) | Caterpillar (CAT) | Overstock (OSTK) |
| Benefit-Focus (BNFT) | Biotech (XBI) | Gossamer (GOSS) |
| Intersect-ENT (XENT) | Apollo (APO) | G1 Therapeutics (GTHX) |
| Stitch-Fix (SFIX) | Nike (NKE) | Dova (DOVA) |

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

| | | |
|------------------|------------------|-----------------|
| Alibaba (BABA) | Silver (SLV) | Thor (THO) |
| Apple (AAPL) | TransOcean (RIG) | Hain (HAIN) |
| Micron (MU) | Biotech (XBI) | PTC (PTCT) |
| Microsoft (MSFT) | Canopy (CGC) | McCormick (MKC) |
| Oracle (ORCL) | Blackstone (BX) | Qiagen (QGEN) |

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

| | | |
|-----------------------|----------------|--|
| Bristol Myers (BMY) | Stone (STNE) | PG, Nov \$125 to Dec \$130 Call Roll, 9000X |
| Tempur Pedic (TPX) | Zoom (ZM) | QQQ, Nov 1 st (W) \$185/\$170 Put Spread, 5000X |
| Las Vegas Sands (LVS) | Coupa (COUP) | MDR, Nov. \$3 to Jan \$2 Put Roll, 15,000X |
| Lululemon (LULU) | KKR (KKR) | IWM, Nov \$145/\$135 Put Ratio, 10,000X20,000 |
| P&G (PG) | GrubHub (GRUB) | BABA, Nov \$175 to Dec \$165 Call Roll, 9450X |

Extras

Lumentum (LITE) buyers of the November \$55 calls 400X at \$3.60 and volume up to 1000X now and paying \$3.90

Verizon (VZ) with 5500 November \$57.50 calls active all day near \$3.50, mostly smaller lots

Correction Corp (CXW) with 1300 January 2021 \$15 puts opening \$2.85

Tractor Supply (TSCO) late trade opens 1650 October \$88 puts \$1.30

Sea (SE) late buy 1000 November \$32 calls to open \$1.85

Valero (VLO) with 1000 ITM January \$90 puts sold to open for \$8.30

Lockheed Martin (LMT) with 450 December \$390 calls opening \$15.10 as \$385 calls adjusted up a strike

Glaukos (GKOS) with 500 November \$55 puts opening \$2.40

Alibaba (BABA) with 10,000 December \$165 calls opening \$11.82 with adjustments from November and December \$175 calls