

TOP STORIES

- Trump “China Trade Talks went Very Well”
- Brexit Negotiations Breakthrough
- SAP CEO Steps Down, Company Posts Strong Preliminary Numbers
- Oil Climbs After Iranian Tanker Damaged in Possible Strike

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2969.25 (28.25)	2937.4 (-3.6)
Nasdaq	7846.75 (86.5)	7752.35 (-7.9)
Dow	26736 (252)	26449.7 (-34)

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7219.65	0.45%
DAX	12378.25	1.76%
Nikkei	21798.87	1.15%
Hang Seng	26308.44	2.34%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Import/Export Prices	
10:00	Consumer Sentiment	92

FOREX

EUR/USD	1.1044 (0.35%)
USD/JPY	108.35 (0.37%)
USD/CAD	1.327 (-0.12%)
GBP/USD	1.257 (1.11%)

COMMODITY

Oil	54.34 (1.5%)
Natural Gas	2.22 (0.1%)
Gold	1499.9 (-0.07%)
Copper	2.625 (0.44%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	17.57 (-5.74%)
Nasdaq	VXN	21.0 (-4.02%)
Oil	OVX	39.52 (4.00%)
Gold	GVZ	15.70 (-0.19%)

MARKET OUTLOOK

S&P futures are higher overnight and into the open clearing a multi-week downtrend amid optimism surrounding US/China trade talks with Trump and Liu He set to meet later today. Oil is higher by 1.5% as Iran/Saudi Arabia tensions escalate. We are seeing some strong currency movements this morning with the Euro/Pound gaining against the USD and Gold steady while Bitcoin down 3%. Markets are rallying and the latest AAI poll showed the lowest percentage of bulls since 2016.

European stocks were higher for a third straight day with a surprise breakthrough in Brexit negotiations as Ireland opened the door for a smoother exit. **LVMH** was the biggest gainer after rising on strong sales and boosted the luxury goods sector. **Japanese** stocks moved to a 1 and 1/2 week high on trade optimism and sentiment also boosted as Seven & I Holdings, the largest convenience store operator, announced a massive restructuring plan. **Fast Retailing** also rose after posting a record profit on strong sales in China. **Yaskawa**, a bellwether for manufacturing trends and maker of motors and factory robots, fell after slashing its profit outlook. **China** had its best week in the last five with Financials and Energy leading the way.

We'll get three Fed speakers today (Kashkari, Rosengren, and Kaplan) although none will be impactful.

Decker Outdoor (DECK) a name in focus this morning with Stifel upgrading to Buy with a \$170 target citing brand momentum in its checks and seeing secondary brands driving less weather related volatility while inventories are tight into the key selling season. DECK shares have been basing the last few weeks since selling off on last quarter's results, and sit right on long term trend support, a move above \$150 can break a downtrend.

S&P TECHNICALS

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



4525 Advancing	Declining 2841
57.6%	36.2%
58 New High	New Low 171
25.3%	74.7%
3148 Above SMA50	Below 4613
40.6%	59.4%
3598 Above SMA200	Below 4163
46.4%	53.6%

KEY EVENTS

Monday: No Economic Data Due to Columbus Day

International Data: China CPI/PPI

International Earnings: Christian Dior

Analyst Days: THO

ANALYST ACTION/COMMENTS

Roku (ROKU) upgraded to Outperform at RBC

Trade Desk (TTD) upgraded to Outperform at RBC

Barrick Gold (GOLD) Raised to Buy at Canaccord

Fifth Third Bancorp (FITB) Raised to Buy at BAML

Schneider (SNDR) Raised to Buy at UBS

Life Storage (LSI) Raised to Buy at Jefferies

Rio Tinto (RIO) Raised to Buy at Jefferies

Workday (WDAY) Raised to Buy at Goldman Sachs

Green Dot (GDOT) Raised to Buy at Northland

Decker Outdoor (DECK) Raised to Buy at Stifel

Boston Beer (SAM) Raised to Buy at Citi on Optimism of Truly hard seltzer brand

Fastly (FSLY) Cut to Neutral at Piper from Overweight

AMETEK (AME) Cut to Neutral at BAML

Terex (TEX) Cut to Sell at Barclays

Targa (TRGP) Cut to Hold at Stifel

Domino's (DPZ) Cut to Neutral from Buy at Citi

Phressia (PHR) initiated Buy at Baird, \$31 PT

UniQure (QURE) Started Buy at Stifel

Twilio (TWLO) Started Outperform at RBC

Anaplan (PLAN) initiated Buy at Mizuho, \$60 PT

Avalara (AVLR) initiated Buy at Mizuho, \$90 PT

Foundation Building (FBM) Started Buy at BAML

Square (SQ) Started Reduce at Nomura

nVent (NVT) Started Buy at Gabelli

MEDIA HIGHLIGHTS

Barrick Gold (GOLD) mine in Zambia said to draw Chinese buyer interest – Bloomberg

American Airlines (AAL) discussing deepening ties with **Gol Linhas (GOL)** - Bloomberg

Volkswagen's Porsche partners with **Boeing (BA)** on electric flying car – NY Post

James Murdoch Buys a Stake in **Vice Media** – NYT

Walmart (WMT) U.S. CEO Foran to exit and be replaced by Sam's Club boss Furner – Reuters

Renault Ousts CEO – Seattle Post

Netflix (NFLX) Investors Brace for Another Disappointing Quarter - Bloomberg

STOCK SPECIFIC NEWS OF NOTE

Five Prime (FPRX) announces restructuring effort

Axis Capital (AXS) sees Q3 pre-tax catastrophe losses \$150M-\$175M

Spirit Airlines (SAVE) sees Q3 total revenue per ASM or TRASM down 2% YoY, Above Consensus

Slack Technologies (WORK) says it has more than 12M daily active users

SAP CEO Bill McDermott to step down; Posts Results Above Estimates

Infosys (INFY) Reports INR 9.44/Share versus INR 9.38/Share Estimates; Revenues INR 226.29B vs. INR 225.36B Estimate; Raises Guidance

Fastenal (FAST) Reports \$0.37 vs. \$0.36; Revenues +7.8% to \$1.38B vs. \$1.38B

BP Announces \$10B Divestment Program; Warns of Q3 Charges

Ford (F) Q3 China Vehicle Sales Down 30.3% Y/Y

PRE-MARKET MOVERS

Moving Higher: RBS 11%, FRO 7%, BCS 6%, STM 4.7%, HSBC 4%, RIO 3.3%, JD 2.7%, FAST 5%

Moving Lower: CRWD -2%, BTI -1.9%, UN -1%

INSIDER TRADING (Form 4 Filings)

Buying: TERP, AGO, RRR, RUN, AMZN, FPRX

Selling: TDG, FB, NEOG, CRM, AXE, AAPL, AYY, GMS, PAR, MKL, FIVN, CECO

POTENTIAL SYMPATHY TRADES

CTSH, ACN on INFY Earnings

GWW, HDS on FAST Earnings

TPR, CPRI on LVMH Sales

OPTION HIGHLIGHTS (Prior Day)

Cerner (CERN) with 2000 March \$70/\$60 bull risk reversals opening for \$0.95 debit today, also seeing Oct. \$70 short puts roll to November 675X. CERN had 5,000 November \$70 calls bought last week. Shares have pulled back right to the 200-MA after a strong rally earlier this year. A move back above the 20-MA and key downtrends at \$68/\$69 has room back higher to \$75 and key resistance of a multi-year bull flag. The \$20.17B company trades 20.6X earnings, 3.75X sales, and 21.7X cash with a 1.1% yield. CERN is entering a multi-year cycle of EPS, margin and revenue growth after a year of reinvestment and sees 18% EPS growth next year and 6-7% across the topline. CERN is a leading provider of IT services for the healthcare field through their Millennium framework which connects practitioners with a patients EHR. They have key contracts across hospital networks, medical centers, the DOD and VA. CERN announced a collaboration with AWS in July which will help accelerate their AI/machine learning and other next-gen efforts on the cloud side. Analysts have an average target for shares of \$75. Wells Fargo out on 10-9 noting that the AWS deal looks transformative for CERN. Argus upgrading to Buy in August with a \$80 PT. The firm is positive on management's more shareholder-friendly stance with higher buybacks and a new dividend under activist pressure. Keybank thinks the company still has balance sheet flexibility to do a deal, if they wish to pursue that path. Short interest is 3.3% and down near 10-year lows. Hedge Fund ownership fell 12% in Q2 although Samlyn Capital a new position. CERN had some notable insider buys earlier this year back current levels with a director buying \$608k in stock at \$67.57 while another bought \$500k in stock at \$65.76.

AFTER HOURS MOVERS

Gainers: TLRY 3%, SAP 5.9%, ROKU 5%, SAVE 4%, BBBY 3.4%, REAL 3%, TTD 2.3%

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.688	Rising – Cautious
CBOE Index Put/Call Ratio	1.29	Rising – Cautious
CBOE Skew Index	114.54	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	32	Fear
NYMO	-16.29	Neutral
NYSE New Highs – New Lows	65.99	Neutral
McClellan Summation	555.89	Below 8-EMA
Univ. of Michigan Consumer Sentiment	93.2 (September)	-6.9%

SMART MONEY (13g/13d Filings)

IPO MONITOR

Two clinical-stage biotech companies will debut **VIR, BNTX**

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

POOL:



Pool Corp (POOL) shares are nearing a multi-week bull flag breakout above \$202.50 with a measured move out to \$225. POOL has been in a strong uptrend and one of the more consistent names of the year. Both RSI and MACD remain in strong trends but not yet overbought.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Idexx Corp (IDXX)

Price: \$276.50

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	59.5X	10.6X	100X	40.3X	88.5X
Industry Avg.	39.8X	4X	4.4X	21X	42.1X

Analysis: IDXX is a \$23.85B leader in the veterinary services market. They focus on diagnostic services like rapid assay kits and POC products for both livestock and companion animals. The usage of diagnostics continues to grow in the animal space although relatively small still (17% penetration) and IDXX remains positioned well to take advantage. Preventative care especially stands out as a big growth area.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CTRP:



Ctrip.com (CTRP) shares have rebounded into the recent breakdown level and vulnerable to downside under \$28.50. A move lower has channel target near \$25 which aligns with the December lows.

PAIR TRADE OF THE WEEK

Industry: Apparel

Long/Short: Long **Guess? (GES)** and short **Gap (GPS)**

Analysis: GES is coming off a strong quarter with its DTC business improving and a strong inventory position into the Holidays. GES is also seeing better margin performance than peers. GPS's core business remains challenged while their spin off plans and aggressive restructuring will weigh. GPS could be a prime candidate for heavy discounting.

SMALL CAP TRADE OF THE WEEK

M/I Homes (MHO) is a \$1.05B builder of single-family homes in the mid-west and South. Shares trade cheap at 8.65X earnings and 0.44X sales with new contracts rising 6% last quarter and a modest backlog. MHO has been strong in two key areas which are thriving in housing: low-cost single family and first-time buyers and would make for an attractive deal target given that exposure.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Qiagen (QGEN)

Anaptys (ANAB)

Forescout (FSCT)

AbbVie (ABBV)

US Concrete (USCR)

Anaptsys (ANAB)

Inspire Medical (INSP)

Gerdau (GGB)

OpKo (OPK)

Cameco (CCJ)

Forescout (FSCT)

Smile Direct (SDC)

Smile Direct (SDC)

Qiagen (QGEN)

Wright Medical (WMGI)

Sorrento (SRNE)

Steven Madden (SHOO)

Mimecast (MIME)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Inspire Medical (INSP)

Gerdau (GGB)

Ra Pharma (RARX)

HD Supply (HDS)

Synchronoss (SNCR)

Yelp (YELP)

Berry Global (BERY)

Edison (EIX)

3D Systems (DDD)

Wright Medical (WMGI)

Cyrus One (CONE)

Zynga (ZNGA)

Callon (CPE)

Washington Prime (WPG)

Overstock (OSTK)

Keurig (KDP)

Five-9 (FIVN)

Tandem (TNDM)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Fitbit (FIT)

Apache (APA)

Axsome (AXSM)

Ally Financial (ALLY)

CoreCivic (CXW)

PG&E (PCG)

KB Home (KBH)

Teva (TEVA)

Overstock (OSTK)

Metlife (MET)

3-D Systems (DDD)

Gossamer (GOSS)

Fire-Eye (FEYE)

Starbucks (SBUX)

Wave Life (WVE)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Apple (AAPL)

Nokia (NOK)

Qiagen (QGEN)

Taiwan Semi (TSM)

Bank of America (BAC)

Steven Madden (SHOO)

Netflix (NFLX)

Silver (SLV)

Cameco (CCJ)

General Motors (GM)

Roku (ROKU)

Smile Direct (SDC)

AT&T (T)

Delta (DAL)

Sorrento (SRNE)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Gilead (GILD)

Checkpoint (CHKP)

ACB, 5,000 December \$5 synthetic short spreads

Xilinx (XLNX)

ZenDesk (ZEN)

MPC, 1000 April \$70/\$75 call spreads

KB Home (KBH)

NetApp (NTAP)

V, Oct 25th (W) \$177.50/\$182.50 call spread 3,000X6,000

Encana (ECA)

US Concrete (USCR)

MDCO, 6,000 January \$40/\$30 put spreads

PG&E (PCG)

AK Steel (AKS)

TSLA, 2000 November \$235 synthetic long positions

Extras

Altice (ATUS) buyers of 1800 November \$28 puts for \$1.15

Hilton Grand Vacation (HGV) late day buy 2000 November \$30 puts to open \$1 to \$1.10

Okta (OKTA) buyer of 200 February \$110 calls to open for \$18

Sensient (SXT) ramped into the close with 1400 October \$70 calls bought \$0.50 to \$0.70 into earnings on 10/18

Home Depot (HD) with 1,575 January 2021 \$170 puts bought \$5.65 to \$5.90 to open

Macy's (M) with buyers of 7,450 November 22nd (W) \$16 puts for \$1.55, adding to the 5,500 bought on 10-7, and also later 2,000 January \$17 puts bought to open around \$2.87. Macys has seen size buyers over the last month in the May \$13 puts, November \$15 puts, May \$12 puts, and January \$15 puts. Macys shares have significantly underperformed the XRT in 2019 and consolidating in a weekly bear flag under the 2017 lows. A move under \$14.25 targets single-digits while the declining 20- and 50-MA just above at \$16.50 is near-term resistance. The \$4.74B company trades 5.84X earnings, 0.2X sales, and 15X FCF with a near 10% yield but given issues and slowing growth, would imagine it's at risk. Macys sees EPS growth declining 7% in 2021 and 10.25% in 2022 with revenue growth down around 1% both years. Macys has been focusing on cost-cutting and asset sales as they invest in new strategies to boost their lagging big box stores. They face headwinds from declining tourism as niche-retailers continue to win foot traffic. Macys faces rising inventory levels after 'a fashion miss in our key women's sportswear private brands' and slow sell through of warm weather apparel. This comes after a poor spring where they were forced to discount heavily to push out old inventory. Analysts have an average target for shares of \$22. MSCO with a \$17 PT and Underweight rating. They note core sales continue to fade, despite asset sales and credit gains, while management continues to focus on 'innovative strategies' to boost sales. JP Morgan downgrading to Sell in August with a \$16 PT. They see Macys continuing to see gross profit declines while management continues to highlight a competitive retail environment. Short interest is surging despite the share weakness and now 25% of the float, up from around 13% in mid-August. Hedge fund ownership fell 16.5% in Q2. Maverick Capital and Samlyn notable holders while Yacktman Asset Management with a 2.85% weight. Macys has seen small insider buys in 2019 with the CEO adding \$110K in May around \$22 while a director bought \$216K.

Small-Cap Radar

LGI Homes (LGIH) has been a strong performer this year with shares up 77% and coiled under new highs ahead of early November earnings. The \$1.87B company has outperformed nearly every peer in 2019 with only Meritage (MTH) showing better stock results. Shares trade cheap at 10.5X earnings, 1.2X sales, and 49.5X cash with high-teens EPS growth expected in FY20. LGIH also expects 17% revenue growth. LGIH is one of the fastest-growing homebuilders in the US with a sizable lot position and consistent closings data M/M. They operate mostly in the South and West with concentration in Florida, Texas, and California after expanding more in the Southeast and Northwest recently. The company's buying strategy focuses on first-ring suburbs. LGIH keeps a big inventory with 50,700 lots under control including 18,000 in development. They closed over 6500 homes in 2018, up from under 450 in 2010, and targeting between 6,900 and 7,800 this year. LGIH targets single-family and affordable housing with their primary demographic renters looking to shift and first-time buyers. Their ASP has steadily increased

since 2014 and now just above \$220k. Analysts have an average target for shares of \$85 and limited coverage. Wells Fargo with a \$95 PT on 9-13, up from \$85. JPM with an \$89 PT citing its monthly home closings data, saying the results "track well" relative to their Q3 forecasts. However, they also see some risk due to Hurricane Dorian. On the chart, LGIH just cleared the January 2018 highs and out of a big range which targets a longer move up to \$120. Short interest is 15.7% but down from 22.5% in February and near 35% in 2017. Hedge fund ownership rose 23.75% in Q2. Ack Asset Management a buyer of shares and a 4.5% weight. LGIH sees little activity in the options market. Buyers opened more than 1,250 November \$85 calls yesterday around \$4.50, a more than \$565k position.