

**TOP STORIES**

- China Wants Further Talks Before Signing Onto Phase 1 of Trade Deal
- Trump 'Ready to Go' on Turkey Sanctions
- China's September Exports and Imports Shrank More Than Expected
- Eurozone Industrial Production Remains Weak in August

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2960.75 (-10)</b>	<b>-9.02</b>
<b>Nasdaq</b>	<b>7826.5 (-32.5)</b>	<b>-29.38</b>
<b>Dow</b>	<b>26692 (-83)</b>	<b>-76.59</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7204.95</b>	<b>-0.58%</b>
<b>DAX</b>	<b>12437.57</b>	<b>-0.59%</b>
<b>Nikkei</b>	<b>Closed - Holiday</b>	
<b>Hang Seng</b>	<b>26521.85</b>	<b>0.81%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
	<b>Holiday – Columbus Day</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1029 (-0.10%)</b>
<b>USD/JPY</b>	<b>108.18 (-0.20%)</b>
<b>USD/CAD</b>	<b>1.321 (0.11%)</b>
<b>GBP/USD</b>	<b>1.2552 (-0.75%)</b>

**COMMODITY**

<b>Oil</b>	<b>53.55 (-2.1%)</b>
<b>Natural Gas</b>	<b>2.291 (3.49%)</b>
<b>Gold</b>	<b>1499.4 (0.72%)</b>
<b>Copper</b>	<b>2.60 (-1.05%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>15.58 (-11.33%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.44 (-7.43%)</b>
<b>Oil</b>	<b>OVX</b>	<b>39.65 (0.33%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>15.72 (0.13%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the week after some cautious comments from both sides regarding Friday's trade 'break through.' A Bloomberg report out early this morning says that China wants further talks before President Xi will sign onto Phase 1 of the deal. Beijing could send trade reps to finalize a deal which could be signed at APEC next month. But, without the December tariffs scrapped and China still hesitant on Phase 1, the Friday news isn't as much of a step forward as it was being pitched. The only concrete move forward was ag purchases but, again, there's some debate as to whether or not this is much of a jump above pre-trade war levels. Oil is down over 2% early with caution due to the US/China back-tracking. Gold is higher by 80 bps. Natural Gas a big mover today up over 4% in early trading.

Asian markets are higher overall this morning with the HSI up around 80 bps and Shanghai Composite higher by 1.15% as they play a bit of catch up to Friday's strength in the US. Japan is on holiday. China exports fell 3.2% in September, more than the 3% drop expected. Imports fell 8.5% vs the 5.2% drop forecast. Singapore GDP came in weak at 0.1% vs 0.2%.

European markets are trading lower this morning. Materials stocks are lagging with some early concerns about China. **Roche** and **Novartis** both lower by around 1% with reports the US is considering tariffs on Swiss pharma products. Cyber security company **Sophos** higher by 35% after Thoma Bravo taking the company private. The deal values them at 5.3X EV/sales. Eurozone industrial production fell 2.8% in August, worse than the 2.5% drop expected. Industrial data was slightly better M/M. The ECB's De Guindos spoke earlier noting that the ECB's outlook doesn't include a 'hard Brexit' scenario and warning on the impact. The two sides are preparing for their busiest week since June 2016 as they try to hammer out a last minute deal.

**S&P TECHNICALS**

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



5637 Advancing	Declining 1796
71.8%	22.9%
167 New High	New Low 86
66.0%	34.0%
4082 Above SMA50	Below 3679
52.6%	47.4%
4001 Above SMA200	Below 3760
51.6%	48.4%

**KEY EVENTS**

**International Earnings:** Christian Dior

**Analyst Days:** THO

Tomorrow... Empire State Manufacturing at 8:30 AM, Raphael Bostic Speaks at 9:00. Democratic Debate in the Evening

**Earnings BMO:** APHA, BLK, C, FRC, GS, JNJ, JPM, PLD, UNH, WFC, WIT

**ANALYST ACTION/COMMENTS**

**Xilinx (XLNX)** upgraded to Buy at Nomura, \$115 PT

**Cadence Design (CDNS)** upgraded to Outperform at Wells Fargo, \$80 PT

**LeMaitre (LMAT)** upgraded to Strong Buy at First Analysis

**Planet Fitness (PLNT)** upgraded to Buy at Imperial

**Varian (VAR)** upgraded to Buy at BTIG

**HP Enterprise (HPE)** upgraded to Neutral at Evercore

**Western Digital (WDC)** upgraded to Buy at Loop Capital

**Nike (NKE)** upgraded to Neutral at BAML

**Arconic (ARNC)** upgraded to Buy at Cowen

**NetEase (NTES)** downgraded to Hold at UOB

**Fastenal (FAST)** cut to Neutral at Raymond James

**Mohawk (MHK)** downgraded to Sell at Wells Fargo

**Insulet (PODD)** downgraded to Neutral at BTIG

**AMC Networks (AMCX)** downgraded to Sell at Evercore

**Blackstone (BX)** downgraded to Neutral at BAML

**Delta (DAL)** downgraded to Neutral at Stephens

**Toll Bros. (TOL)** downgraded to Neutral at Susquehanna

**Canopy (CGC)** downgraded to Neutral at Seaport

**Ameritrade (AMTD)** downgraded to Sell at Citi

**Ping Identity (PING)** initiated Outperform at William Blair

**Envista (NVST)** initiated Buy at Stifel

**Datadog (DDOG)** initiated Buy at Stifel, \$40 PT

**Okta (OKTA)** initiated Buy at Citi, \$150 PT

**MEDIA HIGHLIGHTS**

**MasterCard (MA), Visa (V), eBay (EBAY), Stripe exit Facebook's (FB) Libra network – WSJ**

DOJ to more closely review **Google (GOOGL), Looker** acquisition – Bloomberg

**Lyft (LYFT)** sues NYC over cruising time caps – Reuters

**Google (GOOGL)** bars high-interest consumer loan services from app store – WSJ

**Blackstone (BX)** discussed with **Citadel** about buying stake in its flagship fund – WSJ

**PG&E (PCG)** turns down San Francisco's \$2.5B offer to acquire assets - Reuters

**SoftBank** seeking control of **WeWork** through financing package - WSJ

Barron's positive **K, JNJ, GNRC, ATVI, EA, TTWO, DIS, AAPL, PLCE**; cautious **BBBY**

**Singapore Exchange** Eyes Smaller Deals as Bourse Mergers Implore – Bloomberg

**Deere (DE)** spends 'billions' to boost leases amid slowing sales – WSJ

**VW** doesn't see shift to electric cars hurting margins - Reuters

**Nike (NKE)** acquires startup TraceMe – GeekWire

**PPL, Avangrid** said to be in merger talks – FT

**STOCK SPECIFIC NEWS OF NOTE**

**Boeing (BA)** board separates CEO and Chairman roles

**Eli Lilly (LLY)** says Taltz met co-primary endpoints in Phase 3 plaque psoriasis study

**ConocoPhillips (COP)** announces \$1.39B agreement to sell interests in Australia-West

**Adverum (ADVM)** reports additional data from Phase 1 trial of ADVM-022 in wet AMD

**Genentech** says Phase III PEMPHIX study met primary endpoint

**Owens Corning (OC)** CFO to step down

**Total (TOT)** expands partnership with Adani Group, to buy 37.4% stake in Indian nat gas company

**Aecom (ACM)** Reaches \$2.4 Billion Deal to Sell Management Services Unit

**Sempra Energy (SRE)** to sell Chilean business to State Grid for ~\$2.23B

**PRE-MARKET MOVERS**

**Moving Higher:** MRNA 3%, YNDX 2.4%

**Moving Lower:** RBS -3%, FAST -2%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** FUND, CWH, AGO, TERP, RRR, AZN

**Selling:** ATH, OMCL, ENPH, VEEV, RL, MKL, SYMC, CDNS, DLTR, COST, MRCY

**POTENTIAL SYMPATHY TRADES**

FTNT, PANW, CHKP – on Sophos deal

**OPTION HIGHLIGHTS (Prior Day)**

**XPO Logistics (XPO)** with 1000 November \$72.5 calls bought to open \$4.90 with shares recently basing at the rising 55 day MA and working out of the base and orderly pullback trend to close the week. On a weekly perspective shares are nearing a big consolidation breakout with room to run to a measured move target of \$95. The \$6.55B logistics Co. trades 15.5X Earnings, 7.3X EV/EBITDA and 13.3X FCF though its leveraged balance sheet often the concern. XPO has seen revenue growth stall this year but sees acceleration back to 5% in FY20, while EPS growth set to remain near 20%. XPO will next report on 10/28 and showed up as a new position on Value-Act and Baupost 13F filings in Q2. XPO has exposure to fast growing areas of transports and logistics with a presence in omnichannel and ecommerce while also driving cost savings. It generates strong cash flows with a 70% asset-light business model. It operates with scale advantages in massive markets like contract logistics, LTL, Freight, Intermodal and Last Mile and estimates less than a 2% current share of a \$1 Trillion opportunity. Analysts have an average target of \$82 on shares and short interest is high at 12% of the float, though in the middle of its 3 year range. Cowen raised its target to \$92 on 8-2 after a strong quarter and improved outlook and positive on new business opportunities. Ray-Jay raised its target to \$78 seeing XPO leverages to ecommerce, growing LTL, cross-selling, robust sales pipeline and technology investments leading to further EPS and FCF growth. Hedge Fund ownership rose 30% in Q2 filings, Lyrical also taking a size new position.

**AFTER HOURS MOVERS**

**Gainers:** SES 43%

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.688	Rising – Cautious
CBOE Index Put/Call Ratio	1.32	Rising – Cautious
CBOE Skew Index	122.40	Rising Sharply
VIX Curve	Contango	Normal
CNN Fear & Greed Index	42	Fear
NYMO	9.5	Neutral
NYSE New Highs – New Lows	53	Neutral
McClellan Summation	434.94	Below 8-EMA
Univ. of Michigan Consumer Sentiment	93.2 (September)	-6.9%

**SMART MONEY (13g/13d Filings)**

**IPO MONITOR**

**BellRing Brands (BNBR)** issuing 30M shares at \$16-\$19; Provider of nutrition food products under Premier Protein, Dymatize, and PowerBar brands

**Innate Pharma (IPHA)** issuing 10.7M shares at \$7.50; Biotech company developing therapeutic antibodies for treatment of oncology indications

**SECONDARY MONITOR**

## TRADE

### WEEKLY TECHNICAL BREAKOUT

ZTS:



**Zoetis (ZTS)** shares consolidating in a bull flag under \$130 and recent highs with a measured target out to \$140. Longer-term, ZTS is in a strong uptrend and has room to \$150+. MACD recently turning higher and RSI is leading as it clear the recent highs.

### FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Alteryx (AYX)

**Price:** \$111.50

**Valuation:** Undervalued

**Key Ratios:**

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

**Analysis:** AYX is a \$6.89B software company which focuses on data analytics including preparation, profiling, and workflows. The company has worked on making data analysis more easily approachable for businesses who have a lot of data to comb through. AYX has a small percentage of its TAM while working more in flows will help it expand more among IT teams.

## IDEAS

### WEEKLY TECHNICAL BREAKDOWN

CSCO:



**Cisco (CSCO)** shares consolidating in a multi-week bear flag under the declining 50-MA. Shares are just above \$46 which is key support and a move lower targets the December lows around \$41. CSCO is right at trend support from the 2017 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

**Addus Homecare (ADUS)** is a \$1.26B provider of home healthcare services which trades 27.8X earnings, 2.2X sales, and 23X cash. ADUS has been busy with smaller deals all year as they look to consolidate a fragmented industry. Their recent deal in the Southeast is immediately accretive and adds notable scale. ADUS is benefitting from secular tailwinds in the hospice industry.

## DAILY OPTIONS REPORT

### Unusual Call Activity

### Unusual Put Activity

### Implied Volatility Riser

Wendys (WEN)

Sally Beauty (SBH)

Aurinia (AUPH)

Lloyds (LYG)

Cadence (CDNS)

Hexo Corp (HEXO)

Yandex (YNDX)

Yandex (YNDX)

Luckin (LK)

Just Energy (JE)

Shutterstock (SSTK)

Insmed (INSM)

Frontdoor (FTDR)

Fastenal (FAST)

Biohaven (BHVN)

Graphic Packaging (GPK)

SAP (SAP)

Medicine Co (MDCO)

### Lowest Put/Call Ratio

### Highest Put/Call Ratio

### Implied Volatility Decliner

Graphic Packaging (GPK)

Timkensteel (TMST)

Just Energy (JE)

Just Energy (JE)

Intersect (XENT)

Flexion (FLXN)

Vistra (VST)

Energizer (ENR)

Ra Pharma (RARX)

Inspire Medical (INSP)

Unum (UNM)

Infosys (INFY)

Shoe Carnival (SCVL)

Allergan (AGN)

Fastenal (FAST)

Tronox (TROX)

Cadence (CDNS)

Synchronoss (SNCR)

### OTM Calls on Offer

### OTM Puts on Offer

### Elevated IV30

Steel Dynamics (STLD)

Iron Mountain (IRM)

Axsome (AXSM)

Tronox (TROX)

McDermott (MDR)

Solid Bio (SLDB)

Fitbit (FIT)

General Motors (GM)

Wave Life Sci (WVE)

Viewray (VRAY)

Lyft (LYFT)

Mirati (MRTX)

Amyris (AMRS)

Ford Motor (F)

Overstock (OSTK)

### Positive Net Delta

### Negative Net Delta

### Option Volume Gainers (%)

Apple AAPL)

Ford Motor (F)

Shutterstock (SSTK)

Bank of America (BAC)

First Solar (FSLR)

Fastenal (FAST)

Wendys (WEN)

Michaels (MIK)

SAP (SAP)

Facebook (FB)

JD.com (JD)

Frontdoor (FTDR)

Fitbit (FIT)

J&J (JNJ)

Graphic Packaging (GPK)

### Bullish Call Flow

### Bearish Put Flow

### Large Spread Trades

General Motors (GM)

Las Vegas Sands (LVS)

PTON, 1000 November \$27/\$20 strangles sold

Teradyne (TER)

Altice (ATUS)

JPM, 1500 Nov. 1st (W) \$115/\$110 put spreads

Coupa (COUP)

Uber (UBER)

PNC, 1000 November 1st (W) \$137/\$130 put spreads

XPO Logistics (XPO)

Petmed (PETS)

ICPT 300 December \$75 synthetic short spreads

Yandex (YNDX)

McKesson (MCK)

BIDU, 2000 November \$105 straddles opening

## Stock Specific News and Media

**FreshDirect** shopping itself, **Amazon (AMZN)** and **WalMart (WMT)** may be interested – NY Post

**Symphony** will not go public until it is profitable, says chief – FT

**Uber (UBER)** Acquires Cornershop, a Grocery Delivery Start-Up – NYT

Banks Poised to Underwhelm This Earnings Season – WSJ

**Regenxbio (RGNX)** presents positive Phase I/II wet AMD data

**TSMC (TSM)** 16nm production lead time stretched – Digitimes

**J&J's (JNJ)** Legal Losses May Get Worse With 100,000 More Damage Claims – Bloomberg

**VW** Plans **Lamborghini** Review but Sale or IPO Off the Table – Bloomberg

Brazil's truckmakers are optimistic again even as country struggles to grow – Reuters

**Liberty Global (LBTYA)** offers \$500M sweetener to rescue sale of its Swiss business – Reuters

French auto parts company **Faurecia** will buy full control of SAS JV from **Continental** – Reuter

**Thoma Bravo** to acquire **Sophos Group** for \$3.8B – Reuters

EU Urges US Not to Impose Airbus-related Tariffs this Week – Reuters

**Huawei** will still be permitted to sell 5G equipment in Germany – Reuters

Democratic competitors expected to pushback on Warren's healthcare plans (**XLV**) – WSJ

**Apple (AAPL)** set to launch new SE2 iPhone in 2020 for \$399 – Mac Rumors

**Uber (UBER)**, **Bank Inter** are exploring Brazilian partnership – Reuters

**Boeing (BA)** is considering additional cuts to production of 737 – WSJ

**Blue Cross Blue Shield NC**, **Cambia Health** abandon merger plans – WSJ

Wall Street banks are partnering on DirectBooks, a digital bond issuance platform – FT

**Netflix (NFLX)** preparing a wave of children's programming as they look to compete with Disney+ - NYT

**Baidu (BIDU)**, **Alibaba (BABA)** to testify in Japan on data collection – Nikkei

**ASE Tech** expects continued revenue growth throughout 2020 – Digitimes

Chinese new energy vehicle sales fell 34% in September (**NIO**, **TSLA**) – FT

Congress probing private equity over apparent role in rising healthcare costs (**BX**, **KKR**) – FT

**Brown & Brown (BRO)** acquires assets of VGW Insurance

**Flexion (FLXN)** announces extended FDA review of sNDA for ZILRETTA

### Extras

**ICU Medical (ICUI)** late action buys 500 Nov. \$165/\$190 call spreads as 200 of the \$155 calls adjust

**Deciphera (DCPH)** with 300 January \$30 synthetic long positions opening as October \$30 calls adjust

**Universal Display (OLED)** with 660 Oct. 25<sup>th</sup> (W) \$172.5 calls opening as weekly calls adjusted

**Blueprint Medicine (BPMC)** with 400 April \$90 puts opening \$22.20 as 500 January \$100 puts adjusted

**MasTec (MTZ)** with 1950 November \$70 calls bought \$1.85 as 1000 November \$65 calls closed

**Cheniere (LNG)** late day buyer 1000 Nov. 22<sup>nd</sup> (W) \$65 calls near \$1.60

**VMware (VMW)** with 1400 Nov. 29<sup>th</sup> (W) \$152.5/\$148 put spreads opening late day

**Zen-Desk (ZEN)** with 1400 November \$65 puts bought \$2.10 to \$2.15 offers

**Blackstone (BX)** with 1700 November \$46 calls opening ITM near \$2.70

**Expedia (EXPE)** with 3000 April \$140 calls being sold to open \$10.50 down to \$10.20

**JD.com (JD)** buyers on Friday of 10,000 December \$32 calls up to \$1.47, a more than \$1.7M buy in the name which is very coiled on the weekly chart. JD has seen buyers recently in the January \$28 and \$29 calls while the December \$30 calls, November \$31 calls, and November \$33 calls all with size in OI from buyers since mid-September. Shares jumped on Friday with the US/China talks and faded off YTD VPOC at \$30.50. A continued move higher targets \$32 which has been a wall since April. The measured move is out to \$40. The \$41.7B company trades 24.66X earnings, 0.58X sales, and 9.34X FCF. JD is seeing accelerating EPS growth while revenue growth settles into a mid-teens range. JD is coming off a strong quarter with margins improving as they scale. The company is nearing an inflection point after years of investments and initiatives like automation, JD Logistics, and other bets like online ads, cloud, and foreign investments. JD has also seen a number of investments from big partners like Wal-Mart (WMT), Tencent, and Google (GOOGL) as it (and they) look to compete against Alibaba (BABA). JD has earnings in mid-November and will also look to compete again on Singles Day on 11/11 after a record last year. Analysts have an average target for shares of \$33.50. 86 Research upgrading to Buy on 10-11 with a \$41 PT citing better visibility into JD's expected margin expansion. Loop Capital starting at Buy in June with a \$40 PT. The firm thinks JD stands to benefit from its scale advantages while US/China talks and macro concerns have become distractions. Short interest is 3.3% and its lowest level since December. Hedge Fund ownership rose 5.5%. Tiger Global the top holder with 52.8M shares while Viking Global, Alkeon, and Fisher Asset Management all top holders.

## Earnings Preview

**United Rentals (URI)** will report earnings on 10/16 after the close with the Street looking for \$5.66 on \$2.45B in sales (+15.9%) while the FY is guided to \$18.77 and \$9.29B. Shares have closed higher two of the last three and have a six-quarter average closing move of 7.5%. The market is pricing in an 8.3% move on earnings this quarter which is slightly rich vs the last 4-5 reports. Skew is slightly bullish at 3.2% vs 8.4% historically. The \$9.27B company trades 5.76X earnings, 1.05X sales, and 3.6X FCF with estimates calling for a slowdown in both top and bottom line growth the next two years. URI has already taken estimates down over slightly since June. URI is coming off a quarter where they cut guidance due to weather which impacted fleet productivity. They also noted some integration issues with their BlueLine deal. At the MSCO Laguna Conference in September they noted both of these issues have been resolved and fleet productivity improved in Aug/Sep. URI has diverse exposure with the largest segments being non-residential construction and then infrastructure. They've benefitted from a rebound in US construction spending overall since 2011 but its flattened over the last two years and URI has focused on digital initiatives, M&A, and cost optimization to grow. Stability in the customer confidence index has also helped keep backlogs steady but further uncertainty on the macro and shift in confidence there could force a guidance change. Analysts have an average target for shares of \$143.50 with majority split, 7 buy and 6 hold or lower. UBS cut to Neutral on 10-8 with a \$118 PT. The firm sees increasing evidence that momentum in key markets is turning lower which will drag down EBITDA. Goldman upgrading to Buy on 9-20 with a \$165 PT. The firm believes U.S. construction equipment supply has peaked, rental rates are likely to bottom in coming quarters, consensus estimates have only "modest" risk, and multiple expansion is likely for the Construction Rental group if manufacturing production cuts play out in the coming quarters as expected. Citi positive on 9-11 adding to the Focus List. Short interest is 6.7% and rising since May when it was around 4%. Hedge Fund ownership fell 6.5% in Q2. Lyrical Asset Management adding to their stake and now a 4% weight. Anchor Bolt Capital and Glenview also adding. URI Has seen a few notable insider buys since the last report. In late July, a director bought \$591K in stock at \$118.27 while another bought \$220K in August at \$110.37.