

TOP STORIES

- Global Markets Mixed As Earnings Season Kicks Off Strong
- EU's Barnier: Brexit Deal this Week in Brussels Still Possible
- Kuroda Vows Further Easing If Price Momentum is Lost
- China Inflation Surges as Pork Prices Fly
- Eurozone, German Economic Sentiment Falls Less than Expected in October
- UK Unemployment Rate Rises as Brexit Fears Hit Labor Market

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2974.75 (9.25)	8.7
Nasdaq	7878.25 (20.75)	23.92
Dow	26847 (101)	103.64

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7189.59	-0.33%
DAX	12537.66	0.41%
Nikkei	22207.21	1.87%
Hang Seng	26503.93	-0.07%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Empire State Mfg.	
9:00	Raphael Bostic Speaks	
12:45	Esther George Speaks	

FOREX

EUR/USD	1.1007 (-0.19%)
USD/JPY	108.26 (-0.11%)
USD/CAD	1.3232 (0.01%)
GBP/USD	1.2634 (0.22%)

COMMODITY

Oil	52.94 (-1.21%)
Natural Gas	2.277 (-0.13%)
Gold	1499.1 (0.10%)
Copper	2.6195 (-0.55%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.57 (-6.48%)
Nasdaq	VXN	18.61 (-4.27%)
Oil	OVX	40.21 (1.41%)
Gold	GVZ	15.65 (-0.45%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning as earnings season kicks off with strong numbers out of **JP Morgan (JPM)** and **United Health (UNH)**. It was a quiet night on the trade front with Phase 1 talks continuing and expectations for another meeting before APEC in November where Trump/Xi will likely meet. Brexit hopes are rising, albeit modestly, with the EU's top negotiator saying he believes a deal can still happen this week. It's looking more and more like the 10-31 deadline will get pushed back at PM Johnson continues to make concessions. It's pretty quiet on the commodities side of things with WTI down 1%. Softs like cotton and OJ are bid slightly.

Asian markets were mixed overnight with the Nikkei a standout in a delayed responses to Friday's US/China news. Construction and industrials are higher with Typhoon Hagibis hitting the coast. Shippers a standout with **Kisen** up 6% and **Mitsui OSK** up 3.3%. Semis also strong with **Sumco** up 5%. Household appliance makers like **Hitachi** and **Panasonic** higher as well on hopes of fresh demand. The index hit a 5 and 1/2 month high. It was a busy morning for data. China CPI came in hot at 3% vs 2.9% forecast. China new loans rose in the recent report with 12.5% outstanding loan growth. South Korean exports fell 11.7% while imports were down 5.6%. The BOJ's Kuroda spoke overnight and vowed further easing if price momentum is lost. Japanese industrial production fell slightly in August.

European markets are mixed this morning with the FTSE lagging amid more Brexit talks. Job-recruiter **Hays** up 5.8% after a strong quarter with strong hiring in the US. **HelloFresh** also higher on a positive earnings announcement. **Wirecard** down 15.8% after a FT report on fraud. **ASML** higher by 1.5% after a report Samsung is agreeing to buy high-end lithography machines from them. Eurozone economic sentiment for October fell to -23.5, down from September but not as bad as feared. German sentiment was also not as bad as expected at -22.8. UK unemployment worsened slightly to 3.9% vs 3.8%.

S&P TECHNICALS

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



2737 Advancing	Declining 4611
34.8%	58.7%
76 New High	New Low 165
31.5%	68.5%
4019 Above SMA50	Below 3748
51.7%	48.3%
3926 Above SMA200	Below 3841
50.5%	49.5%

KEY EVENTS

Earnings After the Close: JBHT, SNBR, UAL

Analyst Days: TCDA, PDFS, ZM, WDAY

Other: Democratic Debate tonight

Tomorrow... Retail Sales at 8:30 AM, Charles Evans Speaks at 9:00, Business Inventories at 10:00, Housing Market at 10:00, Beige Book at 2:00

Earnings Before the Open: ABT, ALLY, ASML, BAC, BK, CMA, FHN, PNC, PGR, USB

ANALYST ACTION/COMMENTS

NMI Holdings (NMIH) upgraded to Buy at B Riley

Bed Bath (BBBY) upgraded to Overweight at Keybank

Zealand Pharma (ZEAL) upgraded to Buy at Goldman

Tri Pointe (TPH) upgraded to Outperform at RBC

BMC Stock (BMCH) upgraded to Outperform at RBC

Ollie's (OLLI) upgraded to Neutral at RBC

Premier (PINC) upgraded to Buy at Canaccord

Vulcan Materials (VMC), Martin Marietta (MLM) upgraded to Neutral at BAML

Lowe's (LOW) upgraded to Overweight at Piper

Bloomin' Brands (BLMN) downgraded to Hold at Deutsche Bank

Kinross (KGC) downgraded to Neutral at Barclays

Wheaton (WPM) downgraded to Neutral at Barclays

Allegheny (ATI) downgraded to Sell at Longbow

Terex (TEX) downgraded to Sell at Citi, \$24 PT

Pager Duty (PD) initiated Buy at Baird, \$31 PT

Fair Isaac (FICO) initiated Buy at Baird, \$352 PT

UBS starting **SQ, FISV, GPN** at Buy and **FIS** at Neutral

EHealth (EHTH) initiated Outperform at Raymond James

Drive Shack (DS) initiated Outperform at JMP

MEDIA HIGHLIGHTS

AMC Entertainment (AMC) to launch on-demand online video store – Variety

Wirecard fraudulently inflated sales – FT

Paytm close to raising \$2B funding from **Ant Financial (BABA), SoftBank** - Bloomberg

Critical chemotherapy drug from **Pfizer (PFE)** in short supply - NY Times

Tesla (TSLA) to begin installing Powerwall home batteries in Japan - Reuters

Amazon (AMZN) offering free Prime 1-day shipping on low-cost items – Recode

Google (GOOGL) share of search ad market high but shrinking, says eMarketer – Reuters

TSMC (TSM) sales outlook brightens – Digitimes

WeWork Said to Prefer **JPMorgan (JPM)** Financing Package to Rescue by **SoftBank** – Bloomberg

Southwest (LUV) Air Pilots See 737 Max Return in February at Earliest – Bloomberg

Barneys nearing sale to **Saks, Authentic Brands** – NYP

Hyundai unveils \$35B investment plan in push for self-driving cars – Reuters

Takeda (TAK) sells Mideast, Africa drug portfolio to Switzerland's Acino – Reuters

Marriott (MAR) Drives Deeper Into Luxury Short-Term Rentals – Skift

California bill makes it tougher for **Smile Direct (SDC)** customers to buy from company – WSJ

Aramco IPO plans expected within days – FT

Whiting (WLL) in advanced talks to acquire **Abraxas (AXAS)** – Reuters

STOCK SPECIFIC NEWS OF NOTE

Reata Pharmaceuticals (RETA) Part 2 MOXIe trial of omaveloxolone meets primary endpoint

Redwood Trust (RWT) to acquire CoreVest for \$490M

Solar Edge (SEDG) to join S&P 400; **Glu Mobile (GLUU)** joining S&P 600

Copa Holdings (CPA) reports September capacity down 5.5%, traffic down 0.7%

Technip (FTI) awarded 'significant' contract in Vietnam

PRE-MARKET MOVERS

Moving Higher: APHA 21.5%, CGC 4.5%, JNJ 2%, JPM 1.9%, BAC 1.4%, C 1.2%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: AGO, TERP, CWH

Selling: ATH, ARWR, OMCL, ENPH, ACAD, PI, ADI, NEM, AMT, ADI, STX, SAM

POTENTIAL SYMPATHY TRADES

CGC, TLRV, ACB – on APHA earnings

ALLY, SYF, SC, V, MA, FIS – on JPM earnings

OPTION HIGHLIGHTS (Prior Day)

Zillow (Z) buyer of 2,500 November \$30 calls this morning for \$2.30 and follows buyers last week of 2,000 November \$35 calls and the January \$35 calls bought 1200X in late August. Z has a lot of longer-dated bullish open interest including 10,000 January 2021 \$65 and 20,000 January 2021 \$70 calls, although underwater from early-year buys. Shares are down around 40% from their July highs and forming a narrow base back around last year's lows at \$30. A move over the 20-day MA has upside VPOC targets around \$32.50 and then \$36 where a low-volume gap back to \$45+ starts. The \$4.18B company trades 3.4X EV/sales and 4X cash with expectations for 75% and then 56% revenue growth the next two years. Shares slid last quarter after losses ramped higher as they invest more in their home flipping business. Zillow expects to continue to see near-term headwinds as they build out geographic scale and invest into the new venture but they see a significant long-term revenue potential of \$20B. Analysts have an average target for shares of \$41.25. Benchmark positive in August with a \$55 PT. The firm still sees a significant runway for Homes that more than offsets the near-term Flex disruption. Keybanc started at Overweight in July with a \$66 PT. They think the company's dominance in traffic should allow it to remain the leading marketplace for connecting home buyers/sellers with agents, while their data edge gives them a significant competitive advantage over peers. Short interest for the C-class shares is elevated at 20%. Hedge fund ownership rose 70% in Q2. Slate Path Capital adding 1.665M shares while Matrix Capital, and Contour Asset Management adding to their positions. Zillow had some sizable insider buys in May from director Jay Hoag who adding \$87.5M in stock at \$41.20 to \$42 through his fund TCV.

AFTER HOURS MOVERS

Gainers: RETA 35%, GLUU 8.5%

Losers: SES -16%

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
Stock	59.5X	10.6X	100X	40.3X	88.5X
Industry Avg.	39.8X	4X	4.4X	21X	42.1X

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

PPL

Cadence Design (CDNS)

Amarin (AMRN)

Flexion (FLXN)

Energizer (ENR)

GameStop (GME)

Regenx (RGNX)

Aercap (AER)

Smile Direct (SDC)

ConEd (ED)

Polaris (PII)

Intel-Sat (I)

Parsley (PE)

Discovery (DISCA)

Coty (COTY)

Datadog (DDOG)

Dova Pharma (DOVA)

Parsley (PE)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Viewray (VRAY)

Synchronoss (SNCR)

Plug Power (PLUG)

Smith Micro (SMSI)

Henry Schein (HSIC)

Cronos (CRON)

Energy Fuels (UUUU)

Donnelly (DFIN)

Fitbit (FIT)

Fox (FOXA)

CH Robinson (CHRW)

Yandex (YNDX)

Aimmune (AIMT)

Shutterstock (SSTK)

Western Digital (WDC)

Coeur (CDE)

Farfetch (FTCH)

Netflix (NFLX)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Alexion (ALXN)

Barrick (GOLD)

Axsome (AXSM)

Halliburton (HAL)

Citi (C)

Solid Bio (SLDB)

Snap (SNAP)

Microsoft (MSFT)

Wave Life Sci (WVE)

Silver (SLV)

Netflix (NFLX)

Mirati (MRTX)

Banco Bradesco (BBD)

Aurora (ACB)

Overstock (OSTK)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Banco Bradesco (BBD)

Aphria (APHA)

Polaris (PII)

Silver (SLV)

P&G (PG)

Discovery (DISCA)

Advanced Micro (AMD)

Verizon (VZ)

Dova Pharma (DOVA)

Bank of America (BAC)

Micron (MU)

Parsley (PE)

Tesla (TSLA)

Coeur (CDE)

Datadog (DDOG)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Adobe (ADBE)

Polaris (PII)

SPY, November 1st (W) \$290/\$282
put spread being bought 10,000X

Facebook (FB)

MongoDb (MDB)

WYNN, 500 June 2020 \$130/\$105
bear risk reversals

TAL Education (TAL)

Discovery (DISCA)

PE, 1000 March \$17.50/\$12.50 bull
risk reversals

Tractor Supply (TSCO)

Check Point (CHKP)

GOSS, 000 November \$15/\$12.50
put spreads

P&G (PG)

Coupa (COUP)

RTN, 1050 November \$200/\$230
call spreads

Stock Specific News and Media

KKR-led group will invest \$685M in largest hospital group in Phillipines – Reuters

Citi (C) will establish wholly-owned securities business in China – Bloomberg

Hello Fresh raising guidance due to strong Q3 – Reuters

Klockner warns on Q4, expects weaker steel prices and market – Reuters

ReneSola (SOL) preliminary Q3 above forecasts

Abbott (ABT) board authorizes purchase of up to \$3B in stock

Ambarella (AMBA) does not see significant impact from Entity List Rule

Crispr (CRSP), KSQ Therapeutics announce license agreement

Burlington (BURL) names new CFO

Restaurant Brands (QSR) announces Burger King partnership with **Uber Eats (UBER)**

Extras

Disney (DIS) with 1,445 December \$125 calls opening for \$7.79 to \$7.81, adjusting back some \$130 calls into weakness

Exxon Mobil (XOM) buyer of 750 January 2022 \$65 calls for \$8.70 as the 2021 calls adjust out

Cigna (CI) with 500 November \$155/\$145 bull risk reversals opening today for \$1.05

Eldorado (ERI) with 1340 November \$45 calls being bought late \$1.50 to \$1.55

MasTec (MTZ) now also seeing 1,000 January \$75 calls bought up to \$1.65 to open, closing strong after holding the 8-EMA early

Ziopharm (ZIOP) with 1,000 March \$7 calls bought in August closing today and rolling to open the January 2022 \$7 calls for \$1.63

2U (TWOU) late day spread closing 2,500 October \$17.50 short puts adjusts out to open the November \$20/\$15 bull risk reversal 6,000X4,000

Open Interest Focus

Frontdoor (FTDR) consolidating nicely near new highs in a multi-week range and bullish open interest including near 1,200 January \$50 calls bought on Friday around \$5.50 and open interest now over 2,400. FTDR has seen buyers in the November \$50 calls as well as January \$50 and \$55 calls since early September. Shares have been in a steady trend higher all year and a move above \$53 targets \$60 and new highs. Shares bounce off daily cloud support recently and back above all of its key moving averages with MACD crossing over bullish. The \$4.31B company trades 24.6X earnings, 3.28X sales, and 10X cash. They see 12.5% and then 17.5% EPS growth the next two years with revenues up 8.75% and then 9.8% with expanding margins. FTDR is a provider of home service plans covering repair or replacement of a variety of household systems or appliances like electrical, plumbing, dishwashers, and range cooking equipment. The company was spun out of ServiceMaster (SERV). FTDR sees upside as they expand their DTC marketing, expand brokerage relationships, and add services like electronics. Analysts have an average target for shares of \$46.25. Wells Fargo downgrading to Neutral on 9-26 on valuation. Guggenheim raising their TP to \$55 in August citing pricing hikes and improvement in their core warranty business. Short interest is 2.6%. Hedge fund ownership rose 3% in Q2. In May, a director bought \$270K in stock at \$38.47.



Earnings Review

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
APHA	Aphria	\$0.07	-\$0.03	\$126.10	\$131.15	848.10%	
BLK	BlackRock	\$7.15	\$6.99	\$3,692.00	\$3,693.71	3.20%	
SCHW	Charles Schwab		\$0.64		\$2,647.83		
C	Citigroup		\$1.95		\$18,544.78		

FRC	First Republic Bank		\$1.21		\$856.37		
GS	Goldman Sachs	\$4.79	\$4.89	\$8,320.0	\$8,326.06	-3.8%	
JNJ	Johnson & Johnson	\$2.12	\$2.01	\$20,729.00	\$20,142.05	1.90%	Raises FY
JPM	JPMorgan Chase	\$2.68	\$2.46	\$29,341.00	\$28,362.87	7.60%	
OMC	Omnicom	\$1.32	\$1.30	\$3,623.80	\$3,639.01	-2.40%	
PLD	Prologis		\$0.94		\$715.40		
UNH	UnitedHealth	\$3.88	\$3.76	\$60,351.00	\$59,836.36	6.70%	Raises FY
WFC	Wells Fargo		\$1.18		\$21,319.50		
WIT	Wipro	\$4.29	\$3.81	\$151,256	\$148,339.92	4.0%	

Earnings Preview

Textron (TXT) will report earnings 10/17 before the open with the Street looking for \$0.86 on \$3.33B in sales (+4.2%) with the FY at \$3.74 and \$13.67B. Shares have closed higher two of the last three with a six-quarter average closing move of 5.15% and a max move of 11.3%. The market is pricing in a 5.59% move this quarter with IV30 somewhat subdued at 37.18%. Skew is slightly bullish with the 25-delta p/c at 8% vs 10.9% average. The \$11.5B company trades 12.45X earnings, 0.87X sales, and 40.4X FCF with a small yield. TXT is entering a multi-year period of both top and bottom line growth after a transition year in 2019. The company is coming off an underwhelming quarter and need to play catch-up in order to hit their \$14B FY revenue target. Business jet sales were a bit soft as well, Q/Q, with tariffs weighing a bit on demand. In August, the company announced strategic review for their Kautex business including a potential sale or spin-off. The business is a leading Tier One supplier to global OEMs with a focus on fuel systems and other components and generated \$2.3B in revenue last year. Analysts have an average target for shares of \$57. JP Morgan positive in July seeing a path to \$4/share in earnings power despite concerns over business jet demand. Cowen positive on 8-9 after the Kautex announcement. The firm thinks the move will shift TXT into a pure-play A&D play and will allow TXT to command a higher multiple with attractive optionality to enhance value. They have a \$60 PT. Short interest is 2.8%. Hedge fund ownership fell 23% in Q2. Point 72, Lodge Hill Capital, and Twin Tree buyers of shares but nothing of significant size. Options flow has been bullish with buyers on 10-14 of 1,000 November \$50 calls while some March \$50 calls remain in OI from September around \$5.60. The January \$55/\$40 bull risk reversal was also opened 1000X on 8-8.

Date	Description	Volume	Open.Int	Price	Delta	Impl Vol	Prob.ITM	Premium Paid
10/14/2019	TXT 100 15 NOV 19 50 CALL	1,019	87	\$1.64	0	#ERROR!	0.00%	\$173,230
9/12/2019	TXT 100 18 OCT 19 45 PUT	2,000	263	\$0.40	-1	--	100.00%	\$100,000
9/6/2019	TXT 100 20 MAR 20 45 PUT	493	149	\$3.30	-0.38	31.21%	47.00%	\$170,085
9/5/2019	TXT 100 20 MAR 20 50 PUT	947	2	\$5.60	-0.6	28.28%	66.52%	\$568,200
8/8/2019	TXT 100 17 JAN 20 40 PUT	1,000	194	\$0.93	-0.17	32.25%	22.70%	\$108,000
8/8/2019	TXT 100 17 JAN 20 55 CALL	1,001	257	\$1.08	0.23	24.47%	18.38%	\$104,104