

TOP STORIES

- China Vows Retaliation if US Congress Passes Hong Kong Support Bill
- Report: Germany Becoming More Open to Fiscal Stimulus
- Speaker Pelosi Holds Off on Impeachment Vote in House
- Brexit Talks Continue Ahead of EU Meetings
- Weekly Mortgage Refinance Applications Rise Even as Home Purchase Demand Falls
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2989.5 (-8.25)	-5.48
Nasdaq	7937.25 (-22.5)	-16.6
Dow	26934 (-68)	-41.8

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7212.24	0.01%
DAX	12660.25	0.24%
Nikkei	22472.92	1.2%
Hang Seng	26664.28	0.61%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Retail Sales	0.3%
10:00	Business Inventories	
10:00	Housing Market Index	
2:00	Beige Book	

FOREX

EUR/USD	1.1025 (-0.05%)
USD/JPY	108.72 (-0.11%)
USD/CAD	1.3211 (0.11%)
GBP/USD	1.2753 (-0.26%)

COMMODITY

Oil	52.91 (0.19%)
Natural Gas	2.365 (1.11%)
Gold	1485.3 (0.12%)
Copper	2.574 (-1.5%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.54 (-7.07%)
Nasdaq	VXN	17.18 (-7.68%)
Oil	OVX	39.47 (-1.84%)
Gold	GVZ	15.08 (-3.64%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning with the major indices drifting off of Tuesday's highs all night. Reports out overnight that China is preparing to retaliate against the US if Congress enacts legislation supporting Hong Kong protesters. There was more doubt overnight about China ag purchases with the WSJ noting that the \$50B being touted by POTUS is far beyond what the country has historically spent. Worries are also increasing that China will want more talks before beginning any action (more of the same from Monday/Tuesday as last week's trade progress continues to be pared). China economic data on Friday morning now in focus. In the UK, Brexit continues to drag along as we head into the 10/17 talks with the EU. A 'no deal' Brexit seems like the most likely scenario still and maybe coupled with a push-back of the 10/31 deadline. We'll get two Fed speakers today (Evans, Brainard).

Asian markets were higher across the board this morning with the Nikkei hitting a 10-month high. The yen was slightly weak which was a tailwind. Autos and other exporters showing some strength. Chips were bid with **Advantest**, **Screen Holdings**, and **Tokyo Electron** up 1.5% to 3%. **Unizo** rose 5.5% after Blackstone raised their offer for the co. Bank of Korea lowered rates, as expected. South Korean unemployment was slightly higher than forecast at 3.4%. Exports fell 5% in September.

European markets are broadly higher this morning with the DAX leading up around 25 bps after going red briefly after the open. **Rio Tinto (RIO)** down 2% after earnings. China iron ore hit a six-week low with both **RIO** and **Vale SA (VALE)** signaling output hikes. **ASML** is basically flat after earnings came in-line. **Roche** higher by around 1% after raising their outlook for the third time this year. **ASOS** is up 22% after the online shopping retailer reported a strong quarter. **Wacker Chemie** opened weak after a warning but now down 80 bps. EU auto registrations was up 14.4% in September, better than the consensus and up from a 8.4% drop in August. This is lifting **Volkswagen** and **Fiat (FCAU)** a little. UK CPI came in as expected at 1.7%. EU CPI was 0.8% in September, slightly below the 0.9% forecast.

S&P TECHNICALS

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



5224 Advancing	Declining 2179
66.5%	27.7%
179 New High	New Low 105
63.0%	37.0%
4364 Above SMA50	Below 3403
56.2%	43.8%
4151 Above SMA200	Below 3616
53.4%	46.6%

KEY EVENTS

Earnings After the Close: AA, CNS, CCK, CCI, CSX, IBM, LLNW, NFLX, STLD, URI, WFTC

Analyst Days: JEF, NSIT

Tomorrow... Housing Starts at 8:30 AM, Jobless Claims at 8:30, Philly Fed at 8:30, Industrial Production at 9:15, EIA Nat Fas at 10:30, EIA Petroleum at 11:00

Earnings BMO: BMI, BBT, GTLS, DOV, ERIC, GPC, HON, IIN, KEY, MTB, MS, PM, POOL, PPG, SNA, SON, STI, TSM, TXT, UNP, WNS

ANALYST ACTION/COMMENTS

DBV Tech (DBVT) upgraded to Buy at Oddo BHF

Pure Storage (PSTG) upgraded to Outperform at RayJay

AeroVironment (AVAV) upgraded to Overweight at Piper

RBS upgraded to Neutral at Redburn

FMC Corp (FMC) upgraded to Outperform at Baird

J&J (JNJ) upgraded to Neutral at Atlantic

Foundation Building (FBM) upgraded to Buy at Evercore

Canadian National (CNI) upgraded to Buy at BAML

Builders First (BLDR) upgraded to Overweight at Stephens

Adobe (ADBE) downgraded to Neutral at Citi

Service Now (NOW) downgraded to Neutral at MSCO

Acuity (AYI) downgraded to Neutral at Baird

Cabot (CBT) downgraded to Neutral at Baird

Canadian Pacific (CP) downgraded to Neutral at BAML

Rayonier (RYAM) downgraded to Hold at Berenberg

Concho (CXO) downgraded to Hold at Sun Trust

Wells Fargo initiating in Chemicals with **EMN, PPG, FMC, NGVT, RPM, LIN, CE, HUN, ASH, LYB** at Outperform; **FOE, AXTA, ALB, WLK, IFF** at Neutral

Assembly Bio (ASMB) initiated Buy at Mizuho

Guggenheim starting **GNTX** at Buy and **LEA, BWA, DLPH, VC, VNE** at Neutral

Estee Lauder (EL) initiated Buy at Berenberg

Colgate (CL) started at Sell at Berenberg, \$58 PT

Wabtec (WAB) initiated Sell at BAML, \$64 PT

MEDIA HIGHLIGHTS

Drug distributors in talks to settle opioid litigation for \$18B (**MCK, CAH, ABC**) – WSJ

J&J (JNJ) Pitches \$4 Billion for Opioids as Distributors Seek Deal – Bloomberg

WeWork (WE) halts China expansion as competition intensifies – Nikkei

Sunrise shareholder CPPIB backs \$2.8B capital hike (**LBTYA**) – Reuters

Vaping Sales Grow at Slowest Rate in a Year (**MO**) – Reuters

Wendy's (WEN) may add Uber Eats, GrubHub as delivery partners by year-end - Yahoo

AHAM reports U.S. appliance shipments down 4.5% in September (**WHR**) – Bloomberg

KKR, partners cancel **Latitude** IPO – Reuters

Apollo (APO) offered to acquire **Tech Data (TECD)** for \$130 per share in cash – Reuters

Samsung places further EUV equipment orders - DigiTimes

AWS (AMZN) eyeing bigger presence in China – DigiTimes

TSMC (TSM) more optimistic than others about 5G phone shipments in 2020 – DigiTimes

Italy to unveil digital tax for 2020 – Reuters

STOCK SPECIFIC NEWS OF NOTE

Blackstone (BX) to buy, leaseback Bellagio from **MGM Resorts (MGM)** for \$4.25B

MGM to sell Circus Circus to Treasure Island for \$825M

Signify to buy Cooper Lighting from **Eaton (ETN)** for \$1.4B

iRobot (IRBT) files motion for preliminary injunction against **SharkNinja**

TradeWeb (TW) files to sell 14.8M share for holders; sees Q3 above estimates

Stitch Fix (SFIX) director Gurley buys \$3M in stock

Alexion (ALXN) to acquire **Achillion (ACHN)** for \$6.30 per share in cash + \$2/share in CVRs

Broadcom (AVGO) ordered by EU to halt allegedly anticompetitive contract practices

Aurinia (AUPH) reports last patient study visit in Aurora Phase 3 lupus study; data by end of Q4

PRE-MARKET MOVERS**Moving Higher:** ACHN 85%, TEVA 5%, BAC 2.5%**Moving Lower:** ADBE -2.5%**INSIDER TRADING (Form 4 Filings)****Buying:** SFIX, CWH, TEX, PPR**Selling:** FIVN, YUM, ANET, PAYX, TTD, KMX, NSP, CY, ELF, TCMD, NVCR, RETA, GIS**POTENTIAL SYMPATHY TRADES****TEVA, MCK, ABC, MCK, JNJ** – on Opioid settlement rumor**SC, CIT, CACC** – on ALLY earning**OPTION HIGHLIGHTS (Prior Day)**

Alibaba (BABA) IV rising this morning with buyers of 15,000 December \$175 calls up to \$9.65 and follows buyers of more than 11,000 December \$180 calls on 10-2 and buyers in the December \$170 calls yesterday for more than \$1M. BABA has sizable bullish open interest in the November \$165 and \$170 calls from buyers over the last two weeks as well. Shares are consolidating in a multi-month range under \$182.50 with a breakout targeting \$215. Longer-term shares are forming a series of higher lows and lower highs in a bullish wedge from the 2018 highs which has significant upside to \$250+. The \$427B Chinese retail leader trades 19.8X earnings, 7.4X sales, and 13.8X cash with mid-20% EPS growth and sales up 29.1% and 25.5% the next two years. BABA held an analyst day on 9-24 and outlined ambitious plans for their 5-year outlook targeting 1B+ active users in China as well as \$1.4T in GMV. They also outlined initiatives to grow their Alipay business which currently has around 900M users. Analysts have an average target for shares of \$223. HSBC raising their TP to \$233 on 10-4 as BABA remains dominant in online retail and their analysis shows Tmall is more effective in new products launches, with higher profits for Alibaba versus Pinduoduo. Citi with a \$233 PT citing healthy core marketplace margins and a disciplined approach to new initiatives. Short interest is 0.7%. Hedge fund ownership rose 10% in Q2. Fisher Asset Management a top holder with 11.5M shares while Lone Pine, Tiger Global, Soroban, and Coatue all notable holders. Melvin Capital added as well as now their third largest. BABA will report earnings in early November, shares higher each of the last three. Singles Day will be 11/11. In 2018, they set record sales numbers with more than \$30.8B in sales.

AFTER HOURS MOVERS**Gainers:** SNBR 5%, CAH 4.4%, MCK 2.8%**Losers:** HTZ -3.4%, JBHT -2.8%**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

Rhythm Pharmaceuticals (RYTM) 8.108M share Spot
Secondary priced at \$18.50

ProQR Therapeutics (PRQR) 9.091M share Spot
Secondary priced at \$5.5

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

Aurinia (AUPH)
RBS
Ericsson (ERIC)
Sleep Number (SNBR)
DHT Holding (DHT)
Hilton Grand (HGV)

Unusual Put Activity

Sleep Number (SNBR)
B&G Foods (BGS)
Reata (RETA)
Henry Schein (HSIC)
SVB Financial (SVB)
Dover (DOV)

Implied Volatility Riser

Viking (VKTX)
Frontier (FTR)
Hecla Mining (HL)
Mallinckrodt (MNK)
Chesapeake (CHK)
American Axle (AXL)

Lowest Put/Call Ratio

Denbury (DNR)
R1 RCM (RCM)
UBS
NanoString (NSTG)
Cars.com (CARS)
Latam (LTM)

Highest Put/Call Ratio

Jagged Peak (JAG)
Affiliated Managers (AMG)
Landstar (LSTR)
Kontoor (KTB)
Cytokinetics (CYTK)
Energizer (ENR)

Implied Volatility Decliner

Carbonite (CARB)
Aphria (APHA)
Aurinia (AUPH)
Opko (OPK)
Exact Sciences (EXAS)
Omnicom (OMC)

OTM Calls on Offer

Coeur (CDE)
Qudian (QD)
Yandex (YNDX)
Steel Dynamics (STLD)
Arcelor Mittal (MT)

OTM Puts on Offer

Dover (DOV)
McDermott (MDR)
Interactive Brokers (IBKR)
Applied Materials (AMAT)
Transocean (RIG)

Elevated IV30

Axsome (AXSM)
Solid Bio (SLDB)
Wave Life Sci (WVE)
Mirati (MRTX)
Overstock (OSTK)

Positive Net Delta

Bank of America (BAC)
Microsoft (MSFT)
Wells Fargo (WFC)
B&G Foods (BGS)
Nvidia (NVDA)

Negative Net Delta

Chesapeake (CHK)
Sprint (S)
Gold (GLD)
Industrials (XLI)
Tesla (TSLA)

Option Volume Gainers (%)

Henry Schein (HSIC)
SVB Financial (SVB)
Dover (DOV)
DHT Holding (DHT)
Hilton Grand (HGV)

Bullish Call Flow

Xilinx (XLNX)
Cisco (CSCO)
Hilton Grand (HGV)
SAGE Therapeutics (SAGE)
Etsy (ETSY)

Bearish Put Flow

Int'l Game (IGT)
Cree (CREE)
Aurora (ACB)
Juniper (JNPR)
Pepsi (PEP)

Large Spread Trades

QQQ, December \$192/\$177 ratio
put spreads open 7000X14000
DIS, December \$135/\$115 bull put
spreads opening today 3500X
ACB, 11,000 December \$5
synthetic short spreads
MO, June 2020 \$42.50/\$32.50 put
spread opening 2,000X4,000
AUPH, 6000 December \$5/\$11 call
spreads

Stock Specific News

China's **Ant Financial** in talks for loan of up to \$3.5B at lower rate – Bloomberg

Aldi, Lidl Cut Into U.S. Grocers' Turf – WSJ

Roche boosts 2019 sales outlook, sees **Spark (ONCE)** deal this year – Reuters

Cattle Prices Climb as Traders Anticipate Growing Asian Demand – WSJ

Peer-to-peer forex services aim to bypass Wall St banks – FT

UK watchdog opens formal probe of **Amazon (AMZN)**, **Deliveroo** deal – Reuters

Canopy (CGC) wins UK first medical bulk import license – FT

Eli Lilly (LLY) announces Phase 3 SEQUOIA trial did not meet primary endpoint

Extras

Zen-Desk (ZEN) under recent pressure but 10,000 January \$85/\$95 call spreads bought for \$1 late

JB Hunt (JBHT) buyers of 5000 Oct. \$115 calls \$1.15 to \$1.40 late sending IV higher into earnings after the close. **JBHT** 1000 Nov \$115 calls being bought \$2.75 to \$2.80 as well

Gold (GLD) strategist opens the November \$146/\$150/\$154 call butterfly 17,000X34,000 at \$0.21 debit

Teva (TEVA) with 11,000 March \$5 puts opening \$0.44 as January \$5 puts adjust

Pinduoduo (PDD) shares working out of a small base yesterday and back above the 20-day MA with 4,000 November \$36 calls being bought on the day from \$1 to \$1.05. PDD also seeing 2,000 November \$35 calls bought around \$1.35 where 3,000 sit in OI from buyers on 10-1 and late last week the January \$35 calls bought 1000X while the \$27 puts sold to open. PDD has been on a strong run recently and consolidating just below 52-week highs at \$36 with a breakout targeting \$43. Shares are out of a year-long range from the IPO up above \$31 and plenty of space above. The \$38.35B Chinese retail company trades 58X earnings, 13X sales, and 8.5X cash with expectations for a big jump in profitability in FY21. PDD has seen steady revenue growth the last couple years and guiding to 64% and then 42% the next two years. PDD has been trying to win share in the two-party e-commerce race in China between JD and Alibaba (BABA) and saw 88% growth MAUs last quarter while active users rose 41%. They are also seeing better spending per buyer as they drive repeat business. PDD is looking for greater retention and customer spending to help advertising ROI which will improve monetization. They're also looking to make listing easier for merchants with AI reducing ineffective marketing spend. Analysts have an average target for shares of \$32. BAML positive on 9-10 with a \$39 PT citing easing competition. The firm's recent checks show competition has stabilized and less aggressive promotions should drive more budget flexibility and margin upside in non-peak season. Benchmark positive on 8-22 citing its reacceleration of user growth at lower S&M expenses. Short interest is 2.3% and down from around 3.7% in August. Hedge fund ownership rose 6.5% in Q2. Tencent has 786M shares while Banyan Partners with 392M shares. Hillhouse and Altimeter both notable hedge fund owners.

Earnings Review

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
HWC	Hancock Whitney	\$1.03	\$1.01		\$306.97		
JBHT	J.B. Hunt Transport	\$1.40	\$1.45	\$2,363.00	\$2,339.88	6.90%	
PNFP	Pinnacle Finl	\$1.45	\$1.35	\$278.43	\$267.58	15.60%	
SNBR	Sleep Number	\$0.94	\$0.79	\$474.78	\$462.06	14.50%	Raising FY
UAL	United Airlines	\$4.07	\$3.96	\$11,380.00	\$11,428.51	3.40%	FY In Line

SNBR – Beat on EPS and Revenues, Raises FY - "Our revolutionary Sleep Number 360 smart beds are delivering life-changing sleep and drove double-digit demand growth on top of double-digit demand growth the prior year. Our multi-year initiatives are resulting in the sales and profit growth we anticipated," stated Shelly Ibach, President and CEO. "We are creating a future where our 360 smart bed will be the hub for consumers' health and wellness with individualized digital health as core to our business."

UAL – Beat on EPS and Missed on Revenue - "Thanks to the outstanding efforts of our employees, United extended our streak of expanding pre-tax margin on a quarterly basis. It provides us further confidence to raise our full year 2019 adjusted diluted EPS guidance, putting us ahead of pace to achieve our goal of \$11 to \$13 in adjusted diluted EPS by the end of 2020," said Oscar Munoz, CEO of United Airlines. "While headwinds affected the sector as a whole this quarter, United's team once again demonstrated a robust ability to overcome adverse cost pressure, managing to continue growing our network while investing in winning our customers' loyalty through smart enhancements to the United experience."

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ABT	Abbott Labs		\$0.84		\$8,104.03		
ALLY	Ally Financial	\$1.01	\$0.98	\$1,620.00	\$1,569.06	6.50%	
ASML	ASML	\$1.49	\$1.45	\$2,986.50	\$3,026.04	7.60%	FY In Line
BAC	Bank of America	\$0.75	\$0.68	\$22,955.00	\$22,729.68	0.30%	
BK	BNY Mellon	\$1.07	\$0.99	\$3,861.00	\$3,917.96	-5.10%	
CMA	Comerica	\$1.96	\$1.90	\$842.00	\$836.10	1.10%	
PNC	PNC	\$2.94	\$2.80	\$4,493.00	\$4,414.38	3.10%	
PGR	Progressive		\$1.29		\$9,658.02		
USB	U.S. Bancorp	\$1.15	\$1.11	\$5,920.00	\$5,807.88	3.90%	

Biotech Event

Flexion (FLXN) with a near-term event surrounding their sNDA for Zilretta after the expected PDUFA on 10/14 was delayed this week after the FDA required more time. The agency didn't give a timeline but did say they expect the review to be completed within the coming weeks. FLXN is seeking to remove the limitation of use label for Zilretta to allow for repeat usage for patients with osteoarthritis knee pain. Currently the drug is not for use multiple times. The company conducted a Phase 3b trial earlier this year to support the filing which showed strong safety with no negative impact on cartilage or joints after multiple usages. Most patients saw their second injection at week 16 or later. FLXN hopes to gain label expansion as most people suffering from OA see recurring pain and require durable, safe long-term solutions. FLXN had issues with Zilretta approval back in early 2017 and faces a lot of competition in OA including a generic. The \$534M company trades 12X sales and 3X cash. Short interest is 22.4%, well off the highs from October 2018 but up slightly since July. Notable holders include Miller Value Partners with 4.8M shares. FLXN has seen a number of smaller insider buys since May of 2019 including around \$75k from the CEO. Analysts have an average target for shares of \$25.50. Benchmark out on 10-14 noting that they still expect label expansion but just not as rapidly as expected. They note that the FDA has not asked for any additional clinical data.