



Inside Today's Blitz

- Trump Will Lean on McConnell to Get a Stimulus Deal Done
- UK, EU Hit Impasse on Brexit Talks
- **CIT, FCNCA** to merge in all-stock deal; **Daimler, Volvo** positive Q3 pre-announces; **BA** gets OK from EU regulators for 737 MAX; **RIO** outlook cautious; **GOOGL** antitrust suit expected within days

Market Outlook

Futures indicating a positive open for the day with the **Dow** up 25 bps, the **S&P** up 25 bps, and the **Nasdaq** up 40 bps. Precious metals are rebounding a bit as well with **silver** up 1.4% and **gold** up modestly. **Copper** is off by 40 bps. Grains continuing their strong run with **soybeans** and **corn** both up around 1%. Energy is weak with **WTI** down 25 bps and **Brent** down over 1%. **Gasoline** is down over 1.35%. The **dollar** is down 25 bps. It was a pretty quiet night overall for news. There remain three key stories to watch and all unchanged for the most part. First, economic stimulus continues to be a long shot before the Election but dominates the narrative in Washington. There's a report overnight that Mnuchin has said that if he reaches a deal with Pelosi, the President will lean on McConnell to get it approved. But, this ignores the fact that there's little time for a vote soon and McConnell could see high probability of a Trump loss and feel no pressure to act quickly.

Elsewhere, COVID continues to surge in Europe and the US. Finally, the EU and UK are discussing Brexit today and so far... not so good. UK PM Johnson said around 7am that unless the EU makes some major changes to its approach, they are going for a 'no deal' scenario.

Asian markets finished the week on a cautious note as COVID cases continue to surge and uncertainty around the US election rises. Shanghai finished up 13 bps while Hong Kong was up around 95 bps. The Nikkei was down 41 bps. Retailer **Fast Retailing** rose 4% after guiding strong to 2021. **Fujifilm** was up 2.5% after their filed to have their flu drug Avigan approved for COVID treatment. European markets are rebounding a bit, albeit cautious trade overall. The DAX is up 30 bps, the CAC and FTSE both up around 80 bps. A good morning for autos in the EU. **Daimler** is up 3.5% after pre-announcing strong numbers for Q3. **Volvo** also with positive early numbers citing a surge in orders. Peers like **Renault, Peugeot** and others all up 2-3% as well with EU auto registrations data solid too. **ThyssenKrupp** jumped 15% after talks they were looking to sell their steel unit to Liberty. **LVMH** is up 6.5% after strong earnings and a big demand rebound in Q3. Other luxury names like **Moncler** and **Burberry** up around 3% in sympathy. Man Group is up 5.5% after the company saw a big jump in AUM in Q3. **Remy Cointreau** is up 1% after buying a majority stake in Champagne J. de Telmont. Pub chain and hotel operator **JD Wetherspoon** down 13% after a weak quarter.

Calendar

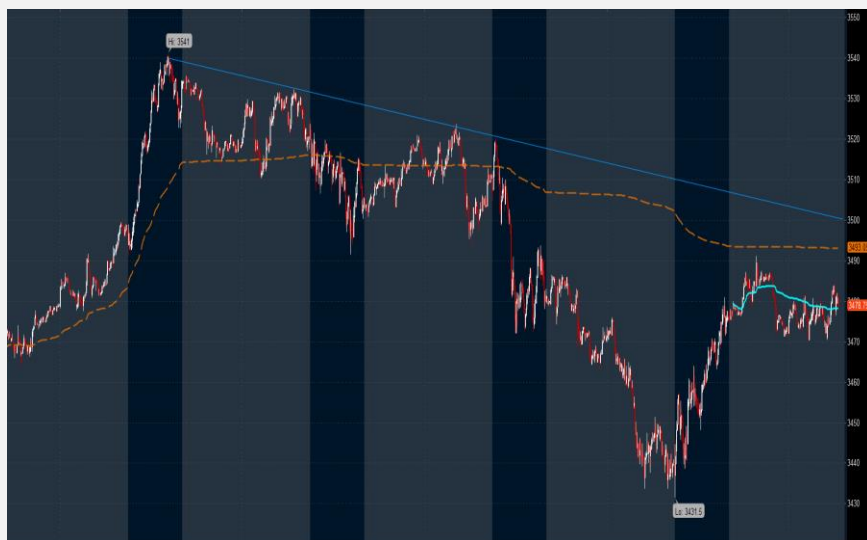
Today... Retail Sales, Industrial Production, U of Michigan Sentiment;
Roadshow/ Analyst Days: SAFM

Next Week... earnings season the big focus with key reports from IBM, LMT, PG, PM, TRV, SYF, NFLX, SNAP, TXN, ABT, BIIB, VZ, CMG, DFS, LRCX, TSLA, AAL, CHKP, DGX, DOW, KMB, KO, LUV, NOC, PHM, T, UNP, COF, INTC, AXP, and ITW. Other big events to watch include China GDP on Sunday night, the last Presidential debate, and Flash PMIs on Friday morning for October

Overnight Markets

Silver	24.5	1.15%
Natural Gas	2.8	0.90%
Euro	1.1732	0.20%
Gold	1912.8	0.20%
Bonds	175.44	0.11%
US Dollar	93.73	-0.15%
Oil (WTI)	40.8	-0.40%
Copper	3.0695	-0.52%
Gasoline	1.163	-1.45%

Technical View



Key Levels to Watch

A very quiet night for S&P futures after Thursday's rebound. We got an early pop on the open up to around 3490 but faded back to 3470 and settled into a range for the rest of the night. Overnight VWAP is flat at 3478.5 and VWAP from Sunday's open is around 3493 above and potential resistance. The downtrend from Monday's high is up at 3500 also, a potential magnet if we get some strength today.

Economic Data

- **Eurozone** auto registrations for Sept. +3.1% vs -18.9% in Aug
- **South Korea** unemployment +3.9% vs +3.7% forecast
- **Singapore** exports -11.3% in September vs -4.4% forecast

Macro News

- **The ECB's Lagarde** says they have a lot of tools remaining to respond to the COVID crisis, per CNBC.
- **Mnuchin** says Trump will lean on McConnell is stimulus deal reached, says Bloomberg. He told Pelosi that POTUS is willing to go beyond the \$1.8T offer
- **Biden's lead** remains steady in the latest National polls up 11 points, per NPR. His campaign manager has warned however that the race is a lot close than the numbers suggest

Sentiment

- **Spending dropped, savings dwindled for US unemployed after benefits expired**, says Reuters. Both metrics rose sharply earlier in the year but reversed quickly in the Fall

Movers

Gainers: ASLN 81%, BA 3.5%, BNTX 3%, SPR 2.5%, FSLY 2%, VRTX 1.5%

Losers: TACO -7.5%, MRTN -7%

Insider Buying

GOSS, FUBO, SELB

IPO Monitor

Array Tech (ARRY) plans to raise \$675M at \$2.5B market cap; makes solar mounting systems

Miniso Group (MNSO) plans to raise \$532M at \$5.7B market cap; Chinese discount retailer

Spinal Elements (SPEL) raising \$108M at \$382M market cap, medical device maker

Eargo (EAR) to raise \$100M at \$616M market cap; maker of hearing aids

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- **Low-Price Stock Trading Booms** – WSJ writes on how zero commission apps and online brokerages have driven a boost in volume for stocks trading under \$5. Retail activity has accounted for almost 20% of trading volume this year, nearly double the level from 2010, according to Bloomberg Intelligence

Stock-Specific News

Consumer

- **Coca Cola (KO) to cut more brands** in an effort to slim down their SKUs. The company will discontinue Tab, Coke Life, Diet Coke Feisty Cherry and more
- **Yogaworks** to file for bankruptcy, close all stores
- **BKNG** to cut up to 25% of headcount

Financials

- **Blackstone (BX)** to sell **BioMed Realty** for \$14.6B, the largest private owner of life science office buildings in the United States
- **CIT Group (CIT), First Citizens (FCNCA)** to combine in all-stock merger
- **Stripe** is buying Nigeria's **Paystack** for \$200M, says Tech Crunch. The move gives them inroads to one of the biggest, untapped markets for payments on the globe
- **CBOE** to acquire BIDS Trading, immediately accretive
- **Ant Financial** targeting \$280B valuation in IPO, says Bloomberg. This is up from \$250B due to high demand
- **MAN Group**, hedge fund manager, reported funds under management (FUM) rose to \$113.1bn in the three months to September, as alternatives saw a \$1.7bn inflow after a slowdown in redemptions.
- **Monte dei Paschi** expected to receive approval soon for bad loan cleanup and sale, says Reuters
- **Mortgage Lending IPO Boom** features in a WSJ report, focusing on **RKT** while also looking at Caliber Home Loans and AmeriHome revealed IPO filings this month, and LoanDepot.com told Bloomberg it is evaluating its capital options

Inside the Hawk Database

RKT recent write-up focusing on call buying in the March \$21 calls and heavy near-term flows

Healthcare

- **AMRN** says Vascepa found to significantly reduce ischemic vents
- **ZGNX** shows seizure improvement in Dravet syndrome using Fintepla

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- **GILD's** remdesivir shows little to no impact in COVID treatment, says FT. The WHO comments were out on Thursday afternoon but confirm some earlier talks this Summer on the drug's effectiveness
- **PFE, BNTX** race to meet COVID-19 vaccine need, the WSJ features a report, the two are racing to increase production to meet the world's needs, assuming the shot wins a regulatory green light

Energy/Materials

- **Rio Tinto (RIO)** Q3 production inline and FY outlook cautious; "recent high-frequency data suggests that the rate of recovery in growth is slowing in most economies, with pent up demand dissipating, and the rise of renewed lockdowns threatening recovery"
- **PQG** to sell Performance Materials business to Jordan Co. for \$650M
- **ThyssenKrupp** shares jump as Liberty Steel offers to buy the company's steel unit, per Bloomberg

Sympathy Watch

BHP, VALE two other iron ore names to watch with RIO's more cautious outlook today

Industrials

- **Boeing's (BA) 737 MAX deemed safe to fly by EU regulators**, says Bloomberg. The comments mark the firmest endorsement yet from a major regulator of Boeing's goal to return its beleaguered workhorse to service by year-end
- **Nikola (NKLA)** CEO says long-term plans intact even without GM deal, per Bloomberg. "We have the ability and we have a base plan of doing it ourselves. If we have a partner, that just enables us to consider going faster and helps reduce the risk," he said.
- **Daimler sees Q3 above market expectations**, citing a faster than expected market recovery and a particularly strong September performance
- **Volvo sees Q3 well above Street citing a large order jump**, per Reuters. Volvo said it expected European heavy truck market registrations to fall by 30% in 2020, but to grow by some 7% next year. It expects the U.S. market to fall by 35% this year and grow by 14% in 2021.

Sympathy Watch

CMI, PCAR two positive read-throughs from the Volvo report on the heavy truck market.

Tech/Telecom

- **Facebook (FB), Twitter (TWTR) coming under scrutiny over NY Post story**, says Bloomberg. Senate Republicans are calling for in-person testimony over its handling
- **Google (GOOGL)** antitrust suit coming within days, says Bloomberg. It will target Google deals to make its search engine the default option on smartphones and web browsers

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- **IBM, NOW** are partnering on an artificial intelligence-based offering aimed at helping organizations predict, prevent and remediate outages and other information-technology problems
- **TWTR** investigating widespread outage, says Tech Crunch. The service was down for more than an hour on Thursday
- **HPE** guidance in line for FY21, sees long-term CAGR of 1-3% driven by Edge, High Performance Compute & Mission Critical Systems and as-a-Service business
- **Foxconn** hopes to capture 10% of the global EV market by 2027, says Reuters. The company has been in talks with multiple car manufacturers for future cooperation

On the Chart

HPE set to gap higher this morning on guidance, above \$10.50 can get some momentum as it works out of a long base and challenge the 200-day

Analyst Notes

Upgrades

- **COST** upgraded to Buy at Jefferies, \$435 PT, sees an extended period of elevated mid-single-digit comp sales and new customer acquisition potential, which justify a premium multiple
- **CHWY** upgraded to Buy at Jefferies, \$100 PT, their moat is widening with several levers to hedge growth moderation of the core business, which is deferred at least two years given COVID-backed customer wins
- **WERN** upgraded to Overweight at Barclays, Fiscal stimulus and consumer spending shifting to goods from services has "provided a significant boost" to supply chain activity since the trough this spring
- **DLTH** raised to Outperform at Baird, believes the brand is strong and poised for a compelling earnings recovery. He believes its brand/marketing/promotion can support a doubling of operating margin and drive an improved investor sentiment
- **FLEX** raised to Outperform at RBC, the market is underappreciating Flex's 100% ownership interest of NEXTracker, adding that following the IPO of Array Technologies, there is a "clear path" for Flex to unlock its stake through a spinout or a sale
- **CAT** raised to Overweight at Wells Fargo, expects earnings to substantially improve beginning in 2021 due to anticipated revenue growth from global growth acceleration with signs that key markets critical to existing bear case are beginning to bottom with likely growth by mid-2021 and absence of 2020 inventory reduction actions, expected margin improvement due to higher revenue generation across improved cost structure, and anticipated higher cash flow that could be allocated to enhance growth
- **CPB** upgraded to Buy at R5 Capital, "Several positive drivers" are being underestimated by investors, including new management improving

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efficiencies and Campbell's renewed push behind innovation and bringing new products to market

- **NSC** upgraded to Equal Weight at Barclays
- **CBOE** raised to Buy at Rosenblatt
- **AGCO** raised to Buy at Citi
- **ECOM** raised to Outperform at Blair
- **XP** raised to Neutral from Underperform at BAML

Downgrades

- **MAXN** cut to Sell at Goldman, sees module capacity increasing sharply in 2021-2022 across the industry which will further pressure pricing, gross margins and free cash flow for Maxeon
- **CCOI** cut to Neutral at CSFB, cautious on Cogent's corporate customer growth and believes pricing declines in NetCentric offset the unit's revenue growth
- **CMC** cut to Neutral at BAML, citing a more cautious outlook for non-residential business along with concerns that "too much stimulus hopes" are being priced in following the 12% increase in the stock price since the start of this month
- **FSLR** cut to Neutral from Buy at BAML, cautions that even under a scenario of a Democrat win in the elections, not all policy proposals will materialize
- **KMB, CLX** cut to Neutral at JPM
- **PEAK, WELL** cut to Neutral at Mizuho
- **WPX** cut to Perform at RBC
- **WYNN** cut to Hold at Jefferies

Initiations

- **UCTT** started Buy at DA Davidson, \$35 PT, citing the company's strong leverage to a memory recovery, solid growth and customer diversification, capacity increasing operational improvements, an attractive valuation, and a strengthening balance sheet with quickly declining net debt.
- **BJ** started at Buy at Jefferies, citing its discount relative to its peers fails to fairly value its growth optionality - namely, a higher rate of comps, EBITDA, and earnings growth as well as the benefits from maturation of year-to-date member gains and operational improvements

Chart Watch

BJ setting up nicely with a multi-week base, needs to clear the 55 MA near \$42 to break out into some free space, some OTM May \$60 call buyer son 10/14.

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- **WMT** initiated Buy at Jefferies, should command an increasingly larger share of customer spend through "bolstered omni-channel capabilities, partnerships, and services", which warrants her expectations of superior rate of growth relative to its historic average
- **DG** initiated Buy at Jefferies, company is a market share "gainer" with multiple strategic initiatives to drive its revenue growth and boost margins while also improving free cash flows
- **ACET** initiated Buy at Wedbush, \$25 PT, Adicet is leveraging the unique properties of gamma delta T cells to develop allogeneic engineered cell therapies for cancer and believes the company's differentiated platform can address major limitations of traditional cell therapy platforms
- **TMUS** started Outperform at Evercore, the "only growth story in U.S. wireless," has the best network and best customer value proposition
- **O** initiated Buy at UBS, the market has been "overly punitive" in its assessment of current rent collection challenges within the REIT's "well-diversified" net-lease portfolio
- Stephens resuming coverage within industrials with **MRC, DXPE, ITRI, WCC, HUBB, EMR, ZBRA, GNRC, FAST, ESE, CARR** at Overweight; **LIQT, WSO, GWW, MSM, ROK, LII, TT** at Neutral
- **KMB** started Buy at Berenberg
- **CRNC** started Buy at Needham
- **EQR, PLD** started Buy at UBS; **SRC** started Sell
- **HWM** started Buy at Berenberg
- **SLP** started Outperform at RJF

Inside the Hawk Database

DG with nearly 1000 January \$220 calls bought on 10/14 adding to open interest in size trades and still has 3000 Jan. \$260 calls bought in OI from August.

Other Commentary

- **NFLX** PT raised to \$630 at MSCO, continues to see short- and long-term benefits to Netflix's growth and earnings power from the pandemic. The "virtuous cycle" of leading global distribution scale and rising investments in film, unscripted, and local originals should create increasing and outsized returns
- **TSCO** positive checks from Baird, a recent survey shows demand for farm/ranch equipment remained firm and ended on a strong note in September leading to upside in Q3

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- **PINS** PT raised to \$52 at Wells Fargo, the new stories feature will potentially attract more social media influencers to the platform and continue to drive strong user growth.
- **DXCM** positive Buy catalyst watch into earnings, a survey of 79 endocrinologists indicate the market opportunity for continuous glucose monitoring and pump technology "has just begun."
- **TXN** target to \$170 from \$150 at OpCo
- **CMCSA** target to \$57 from \$49 at MSCO
- **SQ** target to \$240 from \$200 at RBC
- **BPMC** target to \$122 from \$106 at RJF
- **MCD** comps tracking ahead of consensus, Longbow

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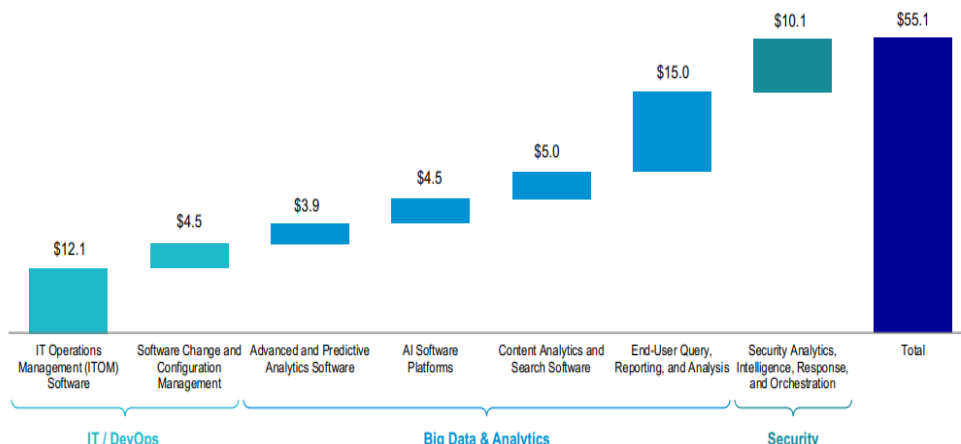
MCD recent bull spreads selling December \$210 puts to buy the \$230/\$250 call spreads and shares breaking out this week.

Trade Ideas

Addressing large and growing market opportunity

2020 Total Addressable Market Opportunity

(\$ in Billions)



IPO Profile

Sumo Logic (SUMO) a recent IPO that has flown under the radar but comps to some big names in a crowded market like **Datadog (DDOG)**, **Dynatrace (DT)**, **AppDynamics (CSCO)**, **New Relic (NEWR)** and **Splunk (SPLK)**. SUMO provides real-time cloud monitoring, log management, and insights for web and SaaS based apps. They are a leader in continuous intelligence helping companies collect and analyze data in real-time to make better decisions about operations and security. They have a growing and well-diversified revenue base with just 7% of sales to concentrated customers. SUMO is seeing sales ramp during COVID as more companies put an emphasis on digital transformation initiatives and cloud computing while spending on public cloud is expected to more than double by 2023. SUMO differentiates itself from peers by being the only cloud-native continuous intelligence platform with real time search

Daily Technical Scans

Ready to Run: KNX, RSG, TECK, FDS, SNDR, PENN, BAX, ACIA, TDG, DIS, CBRL, IT, WDC, ALK, RL, TSN, AZO

Reversal Days: NKE, CCI, CI, ECL, MCO, MET, JCI, MTCH, PH, AFL, APTV, HLT, ALNY, QRVO, CHRW, BURL, AVTR, PKI, GNRC, MASI, KEY, RF, IT, LW, ALLY, AMH, PLAN, OC, GPS, MOS, CHDN, ARMK, CASY, ATA, RARE, BL

Developing Inside Weeks: AMD, AXP, DD, EMR, GIS, COF, CMI, DHI, GLW, ALXN, APTV, GPC, FTCH, ALB, AXTA

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capabilities, live event streaming, and PCI 3.0 compliance. SUMO also has better log capabilities than peers and they're more scalable than someone like Splunk (SPLK) which wasn't built on a cloud platform (they have a cloud option but SUMO was built around cloud and remote usage). SUMO counts some big names as clients like NFLX, MDLA, 23andMe, FROG, and Orange. They see the market opportunity as broad and growing across IT/DevOps, Data and Analytics, and Security. In 2020, SUMO's TAM is around \$55B with End-User Query, Reporting, and Analysis the largest space at \$15B. SUMO expects to grow into that opportunity through better cross-sell, expanded sales staff, new channels and alliances, and product reach into areas like AI. They have a subscription model and currently \$198M revenue run-rate with growth of 30%. Analysts have an average target for shares of \$29. BTIG was positive earlier this week, calling them well positioned because its platform helps customers better utilize data to gain operational efficiencies, enhances security postures and improves user e-commerce experience. Cowen noting that SUMO is the only vendor in Log Analytics + SIEM to have built a multi-tenant cloud platform "from the ground up" and Cloud, Digital, Observability and DevSecOps are "major secular trends" that favor the company longer-term.

Open Interest Checks

Ticker	Contract	OI Checks			
		Prior OI	New OI	OI Change	
FISV	December \$105 Calls	2,701	8,144	201.52%	
XOM	November \$35 Calls	7,976	20,043	151.29%	
IONS	April \$55 Calls	1,200	2,519	109.92%	
BYND	December \$180 Puts	1,257	2,575	104.85%	
PYPL	March \$200 Calls	3,781	6,760	78.79%	
JD	December \$80 Calls	25,052	43,161	72.29%	
IBM	December \$130 Calls	2,899	4,427	52.71%	
WSM	November \$105 Calls	3,125	3,886	24.35%	
NFLX	January \$600 Calls	3,307	4,056	22.65%	
DIS	December \$130 Calls	15,344	18,026	17.48%	
TSLA	November \$460 Calls	3,922	3,743	-4.56%	
CNC	January \$72.5 Calls	2,688	2,157	-19.75%	
WMT	January \$160 Calls	25,393	18,986	-25.23%	
ARNA	December \$70 Calls	4,520	2,859	-36.75%	
NET	November \$60 Calls	5,046	3,017	-40.21%	
ZM	January \$460 Calls	4,117	2,106	-48.85%	

What They're Saying

Paychex (PAYX) on its market position and industry trends... "We maintain leading market positions in our businesses, and this is very important to us. We're #1 in the small business payroll market, approximately -- paying approximately 12 million employees. We pay 1 in 12 private sector employees. Our HR Outsourcing, our PEO and ASO offerings serve more client employees than any other competitor by far, serving 1.4 million worksite employees. And we continue to be #1 in the 401(k) retirement business with over 91,000 plans, which is the 10% of all retirement plans in the U.S.. And our insurance agency is the 22nd largest in the U.S. with nearly \$2.5 billion in annual premiums. All of our sectors are continuing to grow with much opportunity and more upfront integrated selling success -- coming from our integrated

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selling success. Industry trends to continue to be in our favor, and frankly, most of them accelerated during the pandemic. The need for HR support increased and certainly came down in employee size. The workforce is now more part-time and remote, making employee communication, scheduling, time tracking and recruiting increasing the demand for support. Client and employee experience is more important than ever. They're looking for an easy user interface that's flexible, and we're pleased that our mobile app is a 5-star app, allowing for a more employee self-service and most functions can be done with 1 to 3 clicks."

Extras

Tanger Factory Outlet (SKT) with 3000 November \$6 calls bought for \$0.68

StoneCo (STNE) late trade selling 2100 December \$67.5 calls to buy the \$55/\$50 put spreads, likely protective

Exelon (EXC) the November \$41 calls bought 3725X for \$1.60 to \$1.65, closing the \$39/\$35 bull risk reversal and adjusting up with the talk of a split this week

GM late buy of 6000 November \$33 calls \$1.79 offer

Spotify (SPOT) afternoon buyer of 500 Oct. 23rd (W) \$250 calls for \$14.50

Trex (TREX) with 1000 November \$80 calls sold to open for \$4.60

Yelp (YELP) spread bought 3000 Nov. 6th (W) \$21 calls \$1.30 and sold 4000 of the \$24 calls \$0.30

Earnings Review

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Y/Y Change	Notes
ALLY	Ally Financial		\$0.70		\$1,566.20		
BMI	Badger Meter		\$0.38		\$101.19		
BK	BNY Mellon	\$0.98	\$0.94	\$3,847.00	\$3,827.52	-0.40%	
CIT	CIT Group	\$0.84	\$0.11	\$474.00	\$448.08	4.40%	
CFG	Citizens Financial	\$0.73	\$0.75		\$1,735.30		
JBHT	J.B. Hunt Transport	\$1.18	\$1.28	\$2,472.52	\$2,358.60	4.60%	
KSU	Kansas City Southern		\$1.90		\$662.68		
SLB	Schlumberger	\$0.16	\$0.13	\$5,258.00	\$5,371.22	-38.40%	
STT	State Street		\$1.41		\$2,764.13		
VFC	V.F. Corp	\$0.67	\$0.48	\$2,608.32	\$2,537.85	-18.00%	FY Above
ISRG	Intuitive Surgical	\$2.77	\$2.05	\$1,077.70	\$966.81	-4.50%	
MRTN	Marten Transport	\$0.22	\$0.20	\$216.01	\$223.03	0.50%	

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ISRG – Beat on EPS and Revs, Outlook Uncertain - During the first nine months of 2020, the Company has experienced a significant impact to its procedure volumes and system placements, as healthcare systems around the world diverted resources to meet the increasing demands of responding to and managing COVID-19. The impact and timing of the COVID-19 pandemic on the Company's business differs by geography. In the U.S., for example, while da Vinci procedures have recovered a significant portion of the pre-COVID-19 levels, the resurgence of COVID-19 in some states has had, and will likely continue to have, an adverse impact on the Company's procedure volumes. Due to the continued uncertainty around the scope and duration of the pandemic and the timing of global recovery and economic normalization, we cannot, at this time, reliably estimate the future impact on our operations and financial results. The company shipped 195 da Vinci Surgical Systems, a decrease of 29% compared with 275 in the third quarter of 2019. The company grew its da Vinci Surgical System installed base to 5,865 systems as of September 30, 2020, an increase of 8% compared with 5,406 as of the end of the third quarter of 2019.

Sympathy Moves

SC, CACC on ALLY

CSX, NSC, UNP on KSU

UAA, NKE, HBI on VFC

XENT – Guides Q3 Above but Q4 Below - "Our solid third quarter preliminary revenue reflects a continuation of increased sequential sinus surgery procedure demand leading to strong volumes of PROPEL, with notable year-on-year growth of PROPEL in the office setting. This was also the highest quarterly revenue performance for SINUVA since its launch reflecting our improved payer position and emerging strength in ENT in-office procedures. In addition, by closing the strategic acquisition of Fiagon AG Medical Technologies earlier this month, we initiated integration activities that put us on an exciting path to bolster our commercial product portfolio and expand our geographic footprint. While we closely monitor the ongoing effects of the pandemic, we remain well-positioned to sustain sequential revenue growth in the fourth quarter of 2020 and into 2021.

SLB – Beats EPS, Misses Revenues (-38.4%) – Our results in the third quarter clearly demonstrate our focus on execution, returns, and customer performance. Margins expanded sequentially while pretax segment operating income and adjusted EBITDA grew 45% and 21%, respectively, highlighting notable progress in the reset of our earnings power and further demonstrating our execution capabilities as we transition to our new organization. Through this cycle, we are leading technology innovation for our customers and reinventing ourselves to deliver a return above our cost of capital through the combination of capital stewardship, margin expansion, and free cash flow generation. In North America, we have exhibited capital discipline, and are high-grading and rationalizing our portfolio, with a focus on reduced volatility of earnings and less capital-intensive businesses as demonstrated by two key milestones we achieved during the quarter. The first is the agreement to combine our OneStim® pressure pumping business with Liberty Oilfield Services Inc. The second is an agreement to divest our low-flow artificial lift business in a cash transaction. Internationally, our fit-for-basin approach continues to extend our leadership position built on the largest and most diverse footprint in the industry. Despite the rig count decline during the quarter, we have experienced significant new technology uptake, achieved new performance benchmarks for our customers, and captured higher performance incentives on multiple projects. In addition, our international business continues to generate resilient, accretive margins and significant free cash flow. Upon the close of the two North America transactions, we expect our international revenue to represent more than 80% of consolidated revenue, up from an average of approximately 65% over the past decade. The combination of our fit-for-basin strategy, digital technology innovation, and scale puts us in the best position to leverage the anticipated shift of spending growth toward the international market. In North America land, increased completions activity on drilled but uncompleted (DUC) wells was offset by reduced drilling in US land. North America offshore was affected by reduced rig activity, lower multiclient seismic license sales, and hurricane disruption. International revenue was driven by higher activity in Latin America, boosted by the resumption of production in our Asset Performance Solutions (APS) projects in Ecuador and increased seasonal summer activity in the North Sea and Russia. These increases

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were offset by the effects of rig count declines and extended COVID-19 disruptions in Africa and in the Middle East & Asia. Overall internationally, we view the next two quarters as a period of transition for our industry at the trough of this cycle. Improving demand recovery supported by various government measures to stimulate economic activity and continued supply discipline from the major producers set the conditions for a long-term activity rebound. However, while the global lockdowns are evolving and vaccine development is progressing, the near-term recovery remains fragile owing to potential subsequent waves of COVID-19 that could pose a significant risk to this outlook.

VFC – Beats EPS and Revenues (-18%), FY21 Guided Above Street – Active segment revenue decreased 15 percent (down 16 percent in constant dollars) including a 10 percent (11 percent in constant dollars) decrease in *Vans*® brand revenue; Outdoor segment revenue decreased 24 percent (down 26 percent in constant dollars) including a 25 percent (26 percent in constant dollars) decrease in *The North Face*® brand revenue; Work segment revenue increased 14 percent including a 19 percent (18 percent in constant dollars) increase in *Dickies*® brand revenue. Direct-to-Consumer revenue decreased 17 percent (down 18 percent in constant dollars). Gross margin from continuing operations decreased 340 basis points, including a 110 basis point impact from the timing of net foreign currency transaction activity, to 50.8 percent; on an adjusted basis, gross margin decreased 350 basis points to 50.9 percent.

JBHT – Misses EPS, Revenues Beat (+4.6%) - Revenue performance was primarily driven by a 25% increase in revenue per load in Integrated Capacity Solutions (ICS), a 34% increase in the number of stops in Final Mile Services (FMS), a 9% increase in loads in Dedicated (DCS), and a 14% increase in loads in Truck (JBT), partially offset by a 5% decrease in revenue per load in Intermodal (JBI) and 32% decline in fuel surcharge revenue. Overall intermodal volumes increased 2% vs. the same period in 2019. Eastern network loads grew 3%, while Transcon loads grew 2% compared to the third quarter 2019. Volumes in the quarter were heavily constrained by rail congestion and service issues stemming from a large and sudden increase in demand and intermittent labor challenges in both the rail and truck networks.

Disclosures

Not Investment Advice or Recommendation

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

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