

TOP STORIES

- Global Markets Continue Fall Amid Fears of US Slowdown
- Refinitiv: EU Earnings Season Could Be Worst in Three Years
- UK's Johnson Issues Ultimatum on Brexit as Ireland Calls Plan 'Concerning'
- Weekly Mortgage Refinance Applications Rebound 14% on Tiny Rate Dip

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2919.75 (-18)	-21.65
Nasdaq	7641.25 (-54.25)	-60.89
Dow	26361 (-160)	-183.04

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7215.1	-1.97%
DAX	12104.54	-1.30%
Nikkei	21778.61	-0.49%
Hang Seng	26042.69	-0.19%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:15	ADP Employment	152K
9:00	Patrick Harker Speaks	
10:30	EIA Petroleum Status	
10:50	John Williams Speaks	

FOREX

EUR/USD	1.0931 (0.01%)
USD/JPY	107.51 (-0.21%)
USD/CAD	1.3242 (0.18%)
GBP/USD	1.226 (-0.33%)

COMMODITY

Oil	53.78 (0.30%)
Natural Gas	2.29 (0.31%)
Gold	1492.2 (0.21%)
Copper	2.557 (-0.14%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	18.56 (14.29%)
Nasdaq	VXN	21.95 (9.59%)
Oil	OVX	38.88 (0.34%)
Gold	GVZ	15.61 (1.56%)

MARKET OUTLOOK

Futures are indicating a lower open for the markets as yesterday's weak manufacturing data continues to reverberate across the globe. The question now becomes how slow can we go without dropping into a recession while POTUS remains focused on Jerome Powell and the Fed. Overnight assets are a little quiet with silver and gold both modestly higher. The dollar is also up slightly. The WTI/Brent spread widened by around 40 bps. The 10-year yield continued to fall to 1.622%. In the UK, PM Johnson issued an ultimatum to the EU over Brexit. Although, Ireland's foreign minister has already called the plan 'concerning' and don't inspire confidence that Johnson can get an exit deal by 10/11.

Asian markets were mostly lower overnight with the Nikkei lagging down almost 50 bps on the poor US manufacturing data. Breadth was weak with 150 decliners vs 69 advancers. Materials and machinery were the worst performing areas with **Nissan Chemical** down 5.5% and **Yaskawa Electric** down 4%. Defensive areas like utilities strong with **Kansai Electric** up 3.2%. It remains a quiet period for new data in the region. Japan Household confidence fell to 35.6 in September vs 38.2 forecast, the lowest since 2011. Hong Kong retail sales dropped 23% in August. Tourism numbers in HK fell 23% Y/Y, the largest on record.

European markets are also showing weakness as they move to 1-month lows. Fears over a global growth slowdown as well as Brexit are weighing on sentiment. Refinitiv out warning on Q3 earnings season for European companies noting it could be the worst quarter in three years as revenues drop for the first time since early 2018. Swiss CPI fell to 0.1% in September vs 0.3% forecast. Spanish unemployment was slightly better than feared. UK construction PMI fell to 43.3 vs 45 and remains near 5-year lows. It was quiet on the stock-specific side of things. Engineering firm **Metso** fell 5% on a downgrade. **Flutter Entertainment** up 15% after announcing an all stock deal for **Stars Group (TSG)**. The former Paddy Power is transforming into a global betting giant.

S&P TECHNICALS

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



1542 Advancing	Declining 5892
19.7%	75.3%
96 New High	New Low 204
32.0%	68.0%
3259 Above SMA50	Below 4480
42.1%	57.9%
3850 Above SMA200	Below 3889
49.7%	50.3%

KEY EVENTS**Earnings After the Close:** BBBY, RECN**Analyst Days:** TK, CVE, CAL, CLX, ENS, VEEV**Conferences:** NACS 2019, Wolfe Research Utilities, Cantor Healthcare**Tomorrow...** Weekly Jobless Claims at 8:30 AM, Factory Orders at 10:00, ISM Non-Manufacturing at 10:00, EIA Nat Gas at 10:30**Earnings BMO:** ANGO, STZ, PEP**ANALYST ACTION/COMMENTS****Spotify (SPOT)** upgraded to Neutral at Credit Suisse**Interactive Brokers (IBKR)** upgraded to Buy at Compass**Carters (CRI)** upgraded to Buy at DA Davidson**Methanex (MEOH)** upgraded to Outperform at RBC**First Republic (FRC)** downgraded to Neutral at Wells Fargo**Expeditors (EXPD)** downgraded to Neutral at Barclays**E-Trade (ETFC), Ameritrade (AMTD), Schwab (SCHW)** downgraded to Sell at Barclays**Louisiana Pacific (LPX)** downgraded to Neutral at Longbow**Canadian Natural (CNQ)** downgraded to Neutral at National Bank, C\$43**Monster (MNST)** downgraded to Neutral at Guggenheim**Activision (ATVI)** downgraded to Sell at Bernstein**Live Nation (LYV)** initiated Buy at Jefferies, \$84 PTPiper allergist survey indicates 'massive upside' for **Aimmune (AIMT)** estimates**Align Technology (ALGN)** product superior relative to competition, says PiperPiper survey shows **Netflix (NFLX)** users only mildly interested in Disney+, Apple TV**Apple (AAPL)** can maintain margins in 2020 despite cost increases, says Goldman**MEDIA HIGHLIGHTS****Comcast (CMCSA)** wades into antitrust pile-on against **Google (GOOGL)** – Reuters**Visa (V), Mastercard (MA)** reconsider backing **Facebook's (FB)** Libra -WSJ**WeWork (WE)** weighs pullback in China to cost cuts – WSJ**UPS** wins full FCC approval to start commercial drone deliveries – Reuters**Airbnb** planning direct listing over traditional IPO for 2020 - Bloomberg**Credit Suisse (CS)** sees boost in annual profit from hedging change - Reuters**American Airlines' (AAL)** pilots seek compensation for 737 MAX grounding – Reuters**Tesla (TSLA)** to start China production in Nov. – ReutersPOTUS to give speech on healthcare reform tomorrow, focusing on Medicare Advantage (**UNH, ANTM, HUM, CI**) – Bloomberg**Sony (SNE), Omnivision** enjoying robust demand from **Huawei** – Digitimes**TripAdvisor (TRIP)** to End Ticket Sales to Attractions Featuring Captive Marine Mammals (**SEAS**) – Skift**STOCK SPECIFIC NEWS OF NOTE****SL Green Realty (SLG)** to sell 220 East 42nd Street in NYC for \$815M**TD Ameritrade (AMTD)** to eliminate commissions for online stock, ETF, option trades**United Natural (UNFI)** reports \$0.44 vs \$0.52 and \$6.41B vs \$6.42B; FY In Line**Stitch Fix (SFIX)** reports \$0.07 vs \$0.04; \$432.15M vs \$432.28M; active clients up 18%**The Stars Group (TSG)** to be acquired in all-share combination by Flutter Entertainment**Arthur J. Gallagher (AJG)** acquires Anthony Hodges Consulting**Aptiv (APTIV)** to acquire gabocom for about \$310M**Merck's (MRK)** Keytruda approved as monotherapy in China for NSCLC**Cenovus Energy (CVE)** cuts full-year spending forecast, boosts dividend

PRE-MARKET MOVERS

Moving Higher: TSG 43.4%

Moving Lower: RDSB -3%, ATVI -2.7%

INSIDER TRADING (Form 4 Filings)

Buying: FDX, SPN, MXL, OXY, ULTA

Selling: CRM, MTN, CL, EW, KEYS, MCK, VRSK, ABBV, AAWW, AMBA, SKX, GOOG, JBL

POTENTIAL SYMPATHY TRADES

BYD – on TSG buyout

FOXA – on TSG buyout, they own a 4.99% stake

OPTION HIGHLIGHTS (Prior Day)

Trex (TREX) strong name lately seeing unusual trading today with 445 January \$90 calls trading to open near \$10 and also trading 130 of the \$110 calls to open. TREX shares broke out of a downtrend in late July after a strong earnings report and have seen post-earnings drift carry shares to record highs. The \$5.3B maker of outdoor products with a focus on composite decking trades 31.5X Earnings, 26.5X EBITDA and 36X FCF. TREX will next report in late October and estimates looking for 10% revenue growth this year and 13% in 2020 with EBITDA growth seen accelerating to 23% in 2020. TREX ran into some issues earlier this year with manufacturing slowdowns but demand remains very strong and margin issues set to improve the next few quarters. TREX is focused on increasing conversion from wood to composites and continues to launch more outdoor focused products. Outdoor captures 34% of home improvement spending and TREX sales track closely to remodeling estimates. As of 2016 Wood composed 83% of decks and every 1% market share rise for composite equals \$50M in annual sales for TREX. Analysts have an average target of \$81 and short interest is near new highs at 32.5% of the float. DA Davidson raised its target to \$96 on 8/29 seeing more growth and margin runway seeing a strong repair & remodel industry backdrop. Blair started shares Outperform back on 8-22. Hedge Fund ownership soared 150% in Q2 filings, BAMCO adding to its position.

AFTER HOURS MOVERS

Gainers: AIMT 9.6%, SLG 4%

Losers: UNFI -18%, SFIX -9%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.68	Rising – Cautious
CBOE Index Put/Call Ratio	1.23	Elevated – Cautious
CBOE Skew Index	116.61	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	52	Neutral
NYMO	-19.7	Modestly Oversold
NYSE New Highs – New Lows	49% New High	Neutral
McClellan Summation	734.57	Below 8-EMA
Univ. of Michigan Consumer Sentiment	92.3 (August)	Weakening

SMART MONEY (13g/13d Filings)

IPO MONITOR

Five clinical-stage biotech companies will debut **ADCT, APRE, FREQ, MNPR, and VIE**

SECONDARY MONITOR

Grocery Outlet (GO) to sell 13M shares for holders

TRADE

WEEKLY TECHNICAL BREAKOUT

CLH:



Clean Harbors (CLH) showing impressive relative strength with shares consolidation beneath the \$78 level, riding the 21 day EMA as support. Shares can target a move to \$85 on a breakout.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Carpenter Tech (CRS)

Price: \$51.54

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	9.8X	1.04X	1.62X	7.2X	183X
Industry Avg.	11X	1.2X	1.8X	9X	35X

Analysis: CRS is a \$2.47B maker of specialty metals operating in a specialty alloys and performance engineered products segment. Shares trade at an attractive valuation while offering a 1.55% dividend yield and impressive top and bottom-line growth. It has seen strong backlog growth in both the Aero/Defense and Medical businesses. It is coming off its strongest quarterly operating income quarter in six years.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

TPX:



Tempur Sealy (TPX) closed last week below the rising 89 day MA and broke a significant support level with a large volume pocket below. Shares can move back to the mid-\$60's as upward momentum is broken.

PAIR TRADE OF THE WEEK

Industry: Lodging

Long/Short: Long **Expedia (EXPE)** / Short **Marriott (MAR)**

Analysis: EXPE with a \$19.47B market cap is trading 16.2X Earnings and 9.2X EBITDA with a top-line growing 8-10% per year and 15%+ bottom-line growth. EXPE owns Home-Away which along with Airbnb continues to disrupt the traditional hotel operators. MAR has a \$40B market cap and trades 18X Earnings and 13.8X EBITDA while seeing much weaker growth, EPS down 2.8% Y/Y in 2019.

SMALL CAP TRADE OF THE WEEK

LivePerson (LPSN) is a \$2.4B software provider trading at a reasonable valuation of 7.8X EV/Sales while still delivering 15% revenue growth and seeing a strong future path to profitability. LPSN is targeting the field of conversational commerce and sees a \$60B market opportunity. The future is massive with an example being LPSN recently tested a food ordering service via mobile messaging at sporting venues. It is disrupting and replacing voice calls, web site apps, and retail store traffic. It continues to build out the sales force and posted a 75% growth in 1H bookings. I see LPSN as a likely M&A target on the future.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Ameritrade (AMTD)	Ameritrade (AMTD)	Axsome (AXSM)
Heron (HRTX)	Gardner Denver (GDI)	Geron (GERN)
Geron (GERN)	Tradeweb (TW)	Nio (NIO)
Athene (ATH)	Amyris (AMRS)	Mallinckrodt (MNK)
Smart Global (SGH)	Corecivic (CXW)	Alder Bio (ALDR)
Masco (MAS)	Taubman (TCO)	Yeti (YETI)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Duke Realty (DRE)	Stericycle (SRCL)	Cel-Sci (CVM)
Ameris (ABCB)	Brunswick (BC)	Amyris (AMRS)
Neptune (NEPT)	Energizer (ENR)	ADT (ADT)
Himax (HIMX)	Pluralsight (PS)	Dish Network (DISH)
2U (TWOU)	Corecivic (CXW)	Intel-Sat (I)
Best (BEST)	Sanofi (SNY)	Beyond Meat (BYND)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Zillow (Z)	Energizer (ENR)	PG&E (PCG)
Uniti (UNIT)	US Steel (X)	Overstock (OSTK)
Pure Storage (PSTG)	Lyft (LYFT)	Gossamer (GOSS)
Freeport (FCX)	Chevron (CVX)	G1 Therapeutics (GTHX)
PG&E (PCG)	CVS Health (CVS)	Dova (DOVA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Halliburton (HAL)	US Steel (X)	Amyris (AMRS)
Teva (TEVA)	Microsoft (MSFT)	Corecivic (CXW)
Silver (SLV)	AT&T (T)	Taubman (TCO)
Snap (SNAP)	Alibaba (BABA)	Smart Global (SGH)
Axalta (AXTA)	Lyft (LYFT)	Masco (MAS)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
DR Horton (DHI)	B&G Foods (BGS)	MCD, Oct 25th (W) \$210/\$205/\$200 put fly
Splunk (SPLK)	Seagate (STX)	TSCO, November \$92.5/\$97.5 call ratio spreads opening 1800X3600
Wix (WIX)	Ameritrade (AMTD)	FDX, 500 January 2021 \$130/\$180 call spreads
American (AAL)	NXP Semi (NXPI)	LYFT, 1075 April \$40/\$32.5 put spreads
Ulta Salons (ULTA)	Kraft (KHC)	

Stock Specific News

It's too soon to tell if **Stitch Fix (SFIX)**'s growth bets will pay off – WSJ

Borealis Explores Possible Sale of Fertilizer Unit – WSJ

CVC is nearing deal for 25% stake in Israeli ad tech firm **IronSource** for \$450M – Reuters

Carrefour has agreed to buy 49% stake in fintech company **Ewally Tech** – Reuters

Bruker (BRKR) acquires Magnettech's EPR business

Walgreens Boots (WBA), Postmates announce collaboration

Amicus (FOLD) announces additional results from Phase 1/2 study of AT-GAA

CME Group (CME) reached ADV of 20.2M contracts during Q3, up 30% y/y

Blackstone (BX) to acquire 65% controlling interest in **Great Wolf**, form new \$2.9B JV

Oracle (ORCL) to acquire CrowdTwist

BlackRock (BLK) has held talks with **Tencent** about China partnership – WSJ

Axsome Therapeutics (AXSM) expects to file NDA for AXS-05 for MDD in 2H20

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AYI	Acuity Brands		\$2.83		\$1,032.92		
LW	Lamb Weston		\$0.79		\$971.45		
LEN	Lennar	\$1.59	\$1.32	\$5,857.10	\$5,484.26	3.30%	
PAYX	Paychex		\$0.69		\$991.70		
RPM	RPM Inc	\$0.95	\$0.91	\$1,472.80	\$1,485.95	0.90%	
LNDC	Landec	-\$0.16	-\$0.16	\$138.70	\$131.14	11.20%	FY In Line
SFIX	Stitch Fix	\$0.07	\$0.04	\$432.10	\$432.44	35.80%	FY In Line
UNFI	United Natural Foods	\$0.44	\$0.55	\$6,407.09	\$6,420.02	147.20%	FY In Line

SFIX – Beat on EPS and Revenues In Line - "Q4 was another strong quarter for us, delivering net revenue of \$432.1 million, representing 36% year-over-year growth," said Stitch Fix founder and CEO Katrina Lake. "We grew our active clients to 3.2 million, an increase of 18% year over year. For the full year, we grew net revenue 29% year over year to \$1.6 billion and captured more of our large addressable client base by adding nearly half a million active clients in 2019. In addition, we consistently demonstrated our ability to deliver great client experiences, growing revenue per active client in every quarter of fiscal 2019, including 9% year over year in Q4. These gains are a testament to the strength of our data science capabilities."

Extra

Qudian (QD) late day buyer 1600 October \$6 calls \$1.05 offer to open as shares sit on the 200 MA. **QD** also now trades 15,000 of the \$7 calls to open \$0.40

Marathon Petro (MPC) trade puts on the June 2020 \$65/\$75/\$80 call fly 1000X2000. MPC also with 3000 January \$60 puts bought \$3.80

Stericycle (SRCL) buyer of 1500 November \$50 puts \$3.20 to open

Guess (GES) buyers 3000 December \$20 ITM puts late at \$3.10 to \$3.20 offer

Lyft (LYFT) block of 5500 November \$35 puts opens late \$1.60, tied to stock

Home Depot (HD) opening seller of 1750 January \$210 puts late day \$3.90

Salesforce (CRM) late day seller of 2350 January \$135 puts for \$4.20

Traveler (TRV) with 1450 October \$145/\$140 put spreads bought

Scorpio (STNG) with 1000 January \$33 calls bought \$2.65 to open

Electronic Arts (EA) buyer 600 November \$95 calls \$6.30 to \$6.40 aggressive into the close

Skyworks (SWKS) late buy of 1000 Oct. 25th (W) \$81 calls \$1.45 offer

Pure Storage (PSTG) afternoon buyer 3500 November \$17.50 calls \$0.60 offer

Iqvia (IQV) with a large opening trade yesterday for 2,000 November \$145 calls for \$6.20 to \$6.50, a more than \$1.34M buy. IQV has seen little notable trades recently but does have some small November \$165 calls in OI from June buys. Shares have traded lower since late June and back near the rising 200-EMA at \$142.85 with yesterday's low. RSI and MACD both back near oversold levels and potential for a snap-back bounce to the August VPOC around \$155. On the weekly, IQV has been in a steady trend higher since 2016 with the prior range breakout and now support right around \$143.50 as well. The \$29.1B company trades 20X earnings, 2.72X sales, and 29.2X cash with mid-teens EPS growth and revenues accelerating to 7.5% and 8.5% growth through FY21. IQV continues to see their backlog growth in R&D solutions with a healthier CRO market and new products helping drive momentum. They won an additional \$800M in trial placements last quarter as well. Their OCE commercial ecosystem continues to be a big opportunity for IQV with an attractive longer-term license SaaS model. They expect to win more contracts in coming quarters as their analytics offering continues to gain traction. Analysts have an average target for shares of \$165 with 17 buy ratings. Credit Suisse with a \$170 PT in July citing strength from their Next Gen/Core offering and strong TAS organic growth. They continue to see upside from continuing momentum in outsourcing demand, its unique ability to leverage global data assets, and cost structure management. Sun Trust has a \$175 PT for shares citing bookings and backlog growth in the R&D segment and new product offerings and market share gains in Technology and Analytics. Short interest is 1.7% and near its lowest levels since 2015. Hedge Fund ownership fell 2.8% in Q2. TPG, Lone Pine Capital, and Jackson Square notable holders.

Earnings Preview

Pepsi (PEP) will report earnings tomorrow before the open with the Street looking for \$1.50 on \$16.93B in sales (+2.7%). Next quarter is guided to \$1.50/\$20.27B while the FY is \$5.52/\$66.51B. Shares have closed higher four of the last six with an average closing move of 2.68%. Skew is bearish with a 25-delta p/c spread of 22.5% vs 13.3% average. The \$192.24B company trades 23X earnings 2.94X sales, and 53.6X cash with a 2.78% yield. PEP is looking for a rebound FY20 and FY21 after sales growth slowed to 2-3% with negative EPS growth. Nielsen scans have been positive for North American sales recently, +3%, with sales strength from sports drinks like Gatorade Zero. The scanner data also shows weakness in soda with Pepsi losing share. Analysts have an average target for shares of \$131. MSCO raising their PT to \$149 on 9-11 due to an acceleration in U.S. scanner data and the firm also thinks PEP has above peer topline growth potential over the longer term driven by its snacks business and international momentum. Credit Suisse keeps shares at Underperform with a \$117 PT. They think USD strength since last report suggests incremental headwind of ~100bp to sales in 2020 while PEP will also need to invest more next year to sustain topline growth. The firm thinks "Fundamentally, we expect more difficult trends overseas due to slowing global macros, particularly in Latin America and Asia. North America should remain robust, with +MSD% growth at Frito-Lay and +LSD% in Beverages, partly offset by declines in Quaker." BAML out on 9-25 noting that Q3 is likely to be dragged down by tough comparisons but PEP remains on track to compound consistent earnings growth in 2020. Short interest is 0.6%. Hedge fund ownership fell 6.9% with DE Shaw, AQR, Silvercrest, and 683 Capital notable holders.