

**TOP STORIES**

- China’s Liu to Work with US to Address Key Concerns on Trade
- US, China Aiming for ‘Phase 1’ Signing at APEC in Chile, 11/16-11/17
- PM Johnson Asks EU for More Time as Lawmakers Vote for Brexit Delay
- Trump Reverses Course on G7, Troop Withdrawals Amid GOP Pressure
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**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2994.5 (6.25)</b>	<b>9.00</b>
<b>Nasdaq</b>	<b>7902.5 (21.75)</b>	<b>24.01</b>
<b>Dow</b>	<b>26775 (21)</b>	<b>47.8</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7157.38</b>	<b>0.10%</b>
<b>DAX</b>	<b>12718.25</b>	<b>0.67%</b>
<b>Nikkei</b>	<b>22548.9</b>	<b>0.25%</b>
<b>Hang Seng</b>	<b>26725.68</b>	<b>0.02%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>10:30</b>	<b>3- and 6-Month Bill Auctions</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1163 (-0.05%)</b>
<b>USD/JPY</b>	<b>108.58 (0.15%)</b>
<b>USD/CAD</b>	<b>1.3101 (-0.18%)</b>
<b>GBP/USD</b>	<b>1.2979 (0.06%)</b>

**COMMODITY**

<b>Oil</b>	<b>53.34 (-0.82%)</b>
<b>Natural Gas</b>	<b>2.297 (-0.99%)</b>
<b>Gold</b>	<b>1494.7 (0.04%)</b>
<b>Copper</b>	<b>2.652 (0.61%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>14.25 (3.34%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>17.82 (2.47%)</b>
<b>Oil</b>	<b>OVX</b>	<b>36.43 (-3.39%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>1485 (0.07%)</b>

**MARKET OUTLOOK**

Futures are indicating a higher open for the morning, albeit a quiet one. S&P futures opened around 2,990 and bounced back overnight to 2,996 where its stuck almost all night. Brexit in focus with PM Johnson’s first attempt to pass his deal failing on Saturday. He’s now legally forced to ask the EU for an extension to 1/31 (from 10/31) and will try again today to get his deal passed by Parliament. Reports out of the FT indicate that it will pass by 5 votes and an exit by the end of the month is still possible w/ Saturday’s vote just delaying it. In Washington, POTUS is feeling some pressure from congressional GOP members. He nixed plans to host the G7 at his resort in Florida amid criticism. Trump also reversed course on Syria and will now may leave a small contingent of troops on the ground as opposed to a complete withdrawal. Trade was relatively quiet this weekend. China’s Liu He confirmed the two sides are targeting APEC in Nov. for a signing of Phase 1. VP Pence will give a speech on Thursday aimed at China. His last speech in 2018 at Hudson Institute was very critical. However, if a signing in Nov. really is close then I’d imagine this speech is more tempered.

Asian markets are higher across the board this morning with the Nikkei hitting a new 11-month high. The BOJ’s Kuroda was out over the weekend noting that they can certainly cut short-term rates, if necessary. China housing prices came in light at 8.4% vs 8.8% prior. Japanese exports fell 5.2% in September, worse than the 4% estimate. Imports fell 1.5% which was slightly better than the Street estimates.

European markets are higher this morning with the FTSE the only notable laggard which is basically flat. **Tomra Systems** up 13% after reporting strong earnings. **Pro Sieben Sat** up 5% with talk of more consolidation in the EU TV industry. **Wirecard** is up 6% after hiring an auditor. **SAP** is up 2.4% to lead the Stoxx 50 after reporting a strong quarter. **Smith & Nephew** down 8% after their CEO stepped down. **Micro Focus** down by 5.65% after Open Text said they were not pursuing a deal. **Just Eat** off by 8.25% after earnings as UK order growth slowed.

**S&P TECHNICALS**

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



3286 Advancing	Declining 4031
41.8%	51.3%
214 New High	New Low 98
68.6%	31.4%
4513 Above SMA50	Below 3254
58.1%	41.9%
4240 Above SMA200	Below 3527
54.6%	45.4%

**KEY EVENTS**

**Earnings After the Close:** CDNS, CE, TACO, HLX, HSTM, HXL, LOGI, AMTD, ZION

**Tomorrow...** Existing Home Sales at 10:00am, Richmond Fed at 10:00; Kaplan Speaks at 1:00pm

**Earnings Before the Open:** ARCH, ABG, BIIB, CNC, CIT, FITB, GATX, GPK, HOG, HAS, IPG, JBLU, KMB, LMT, MCD, EDU, NUE, PCAR, PII, POL, PG, PHM, DGX, RF, SHW, SNV, TTS, TRU, TRV, UTX, UPS, WBS

**ANALYST ACTION/COMMENTS**

**Sunoco (SUN)** upgraded to Neutral at BMO

**State Street (STT)** upgraded to Neutral at Keefe

**Globant (GLOB)** upgraded to Overweight at Keybank

**CubeSmart (CUBE)** upgraded to Strong Buy at RayJay

**Alarm (ALRM)** upgraded to Strong Buy at First Analysis

**Commscope (COMM)** upgraded to Neutral at Nomura

**Pinterest (PINS)** upgraded to Outperform at RBC

**PBF Energy (PBF)** upgraded to Outperform at Cowen

**Tradeweb (TW)** upgraded to Buy at UBS

**HP Enterprise (HPE)** upgraded to Buy from Sell at UBS

**RPC (RES)** upgraded to Neutral at Citi

**DTE Energy (DTE)** upgraded to Neutral at BAML

**Gildan (GIL)** upgraded to Hold at Desjardins

**Aircastle (AYR)** downgraded to Sell at JP Morgan

**Boeing (BA)** downgraded to Neutral at CSFB; cut to Neutral at UBS, \$375 PT

**IBM** downgraded to Neutral at UBS

**Spirit (SPR)** downgraded to Neutral at UBS

**Shockwave (SWAV)** initiated Overweight at Piper

**Peloton (PTON)** initiated Buy at UBS, \$30 PT; also started Buy at Barclays, Telsey, SunTrust, Canaccord, Cowen, JMP

**Axonics (AXNX)** initiated Overweight at Barclays

**Arrowhead (ARWR)** PT raised to \$54 from \$50 at Piper

High growth software valuations to contract further, says Jefferies

**MEDIA HIGHLIGHTS**

**Facebook (FB)** reaches pact with News Corp., others for news section – WSJ

Barron's positive on **DIS, NFLX, CMCSA, CBS, VIAB, T, ROKU, AAPL, AMZN, GOOG, COP, EMR, PFE, MDT, CERN**; cautious on **EYE, CSCO, IBM, BA**

**Huawei** in early talks to license 5G to US firms (**T, VZ, S, TMUS**) – Reuters

Congressional lawmakers are looking at **Boeing (BA)** executives amid 737 Max issues. WSJ

**Barrick Gold (GOLD)** aims to restart gold mining in Tanzania. WSJ

**Softbank** wants to become majority owner of **WeWork (WE)** without lease obligations. Reuters

Crispr's Next Frontier Is In-Human Treatment, Co-Inventor Says (**EDIT, CRSP, NTLA**) – Bloomberg

**PG&E (PCG)** Has No Intention of Paying People for Blackout Right Now – Bloomberg

**Hikvision** warns on near-term outlook due to US blacklist, developing own tech -Bloomberg

China Wants Big Pharma to Bend the Knee in New Healthcare System – Bloomberg

**Thomson Reuters (TRI)** searching for CEO Smith's successor – FT

U.S. considers extension of **Chevron's (CVX)** Venezuela waiver with more limitations -Bloomberg

Opioid settlement talks fail, landmark trial expected Monday (**TEVA, CAH, MCK, ABC, JNJ**) – Reuters

**STOCK SPECIFIC NEWS OF NOTE**

**Foamix (FOMX)** announces FDA approval of AMZEEQ topical foam

**Teck Resources (TECK)** to buyback 8% of float

**Tandy Leather (TLF)** CFO steps down, recent annual reports not reliable

**Alexion (ALXN)** ULTOMIRIS receives FDA approval for Atypical Hemolytic Uremic Syndrome

**OpenText (OTEX)** not considering bid for rival **Micro Focus (MFGP)**

**GSK** to sell two travel vaccines to Bavarian Nordic for \$1.1B

**Shell (RDS/B)** plans to sell Egypt upstream assets

**PRE-MARKET MOVERS**

**Moving Higher:** YNDX 10%, PINS 4%, RIO 2.3%, SAP 1.7%, BP 1.3%

**Moving Lower:** TEVA -5.5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** STRM, AGO

**Selling:** CHGG, MCK, ACHN, BLK, EGRX, COUP, OMC, BK, SITE, PAYX, LCII, UNH, STX

**POTENTIAL SYMPATHY TRADES**

TEVA, JNJ, CAH, MCK, ABC – on opioid trial

**OPTION HIGHLIGHTS (Prior Day)**

**Salesforce (CRM)** sweep buys 1500 Dec. \$150 calls \$5.45 to \$5.50 early and action quickly up to 3300X for \$1.75M purchase. CRM has been under pressure with the Software group but potential to form a right shoulder of an inverse head and shoulders pattern while also sitting above 1 year trend support and the rising 89 week moving average. The \$125.5B cloud leader trades 47.2X Earnings, 8.5X Sales and 38.85X FCF and next week we get some read-through from Amazon and Microsoft in the cloud. CRM growth has slowed and been using acquisitions the past two years including a big deal for Tableau earlier this year, and sees 24% topline growth in 2021. CRM continues to expand operating margins as it enters a strong earnings cycle and seeing growth across all segments of its massive TAM. CRM next reports on 11/20 and will speak at a few conferences later this month. Analysts have an average target of \$185 and short interest is 2% of the float. BAML has a \$200 target and sees margins as the most important factor and sees positive catalysts including DreamForce in November detailing Customer 360. Jefferies started at buy earlier this month noting the story embodies the best characteristics of the software sectors. JMP out on 10/7 citing strong checks and a \$191 target and sees a lot of buzz into DreamForce. RBC upped its target to \$200 in August citing little competitive pressure and no evidence of pricing pressure and attractive valuation. Hedge Fund ownership rose modestly in Q2 filings, new stake from Viking Global, while Winslow and Lone Pine remain large holders.

**AFTER HOURS MOVERS**

**Gainers:** AM 3.5%

**Losers:** CAH -3%, TEVA -1.5%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.68	Rising – Cautious
CBOE Index Put/Call Ratio	1.33	Rising – Cautious
CBOE Skew Index	126.24	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	50	Neutral
NYMO	16.41	Neutral
NYSE New Highs – New Lows	56	Neutral
McClellan Summation	500.40	Above 8-EMA
Univ. of Michigan Consumer Sentiment	93.2 (September)	-6.9%

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

Glenview Capital discloses 14.7% activist stake in **Meritor (MTOR)**

**IPO MONITOR**

**Brp Group (BRP)** issuing 16.4m shares at \$14-\$16; independent insurance distribution platform

**Youdao (DAO)** issuing 5.6m Shares at \$15-\$18; China-based provider of online learning content and applications

**HYLETE (HYLT)** issuing 1.7m Shares at \$8-\$10; premium performance apparel and gear

**OneWater (ONEW)** issuing 3.2m Shares at \$18-\$20; Retailer of recreational boats in the U.S

**Progyny (PGNY)** issuing 10m Shares at \$14-\$16; Benefits management company specializing in fertility and family building benefits

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**CTAS:**



**Cintas (CTAS)** shares are consolidating in a multi-week bull flag under \$270 with a breakout targeting a move higher to \$300. Shares are narrowly coiled above the 8- and 20-MA with long-trend relative strength.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Carlisle (CSL)

**Price:** \$143

**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:** CSL is a \$8.05B maker of construction materials such as polyolefin, rubbers, and polyvinyl chlorideroofing membranes with exposure to Aerospace, Medical, Transport and Food-Service markets. CSL is executing well on a six-year plan to boost margins through cost-cutting, build scale with M&A, and return capital through buybacks and dividends. They will report on 10/22 and higher five of the last six. In Sept. a director bought over \$100k in stock at \$147.27.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**BIG:**



**Big Lots (BIG)** shares are forming a large head and shoulders near new 1-year lows with a breakdown under \$20 targeting a move to \$16. Shares were rejected last week at the declining 20-MA while cloud resistance at \$22 also a bit of a wall.

## PAIR TRADE OF THE WEEK

**Industry:** Home Improvement

**Long/Short:** Long Lowe's (LOW), Short Lumber Liquidators (LL)

**Analysis:** LOW is a best-of-breed name in the space with a strong outlook for 2020 in home remodel and gaining share in flooring specialties. LL faces an outsized impact from tariffs with 45% of its products from China while a debt-heavy balance sheet makes it unattractive in the competitive space.

## SMALL CAP TRADE OF THE WEEK

**ANI Pharma (ANIP)** is an \$898M company which focuses on production of both branded and generic drugs. They have two drugs launch in the 2H which should be notable drivers. The first is vancomycin for the treatment of bacterial infections. The second is gAggrenox. Shares trade 12.6X earnings and 4.2X sales with steady long-term growth. Earlier this year, a director bought \$175k in stock at \$69.30

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Ambac (AMBC)	Propetro (PUMP)	Alder Bio (ALDR)
Dermira (DERM)	Manitowec (MTW)	Gildan (GIL)
Smith & Nephew (SNN)	SAP (SAP)	Nuvasive (NUVA)
Element Solutions (ESI)	Discovery (DISCA)	Biohaven (BHVN)
Sogou (SOGO)	Medifast (MED)	Southwestern (SWN)
CareDx (CDNA)	Braemar (BHR)	Gamestop (GME)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
B2Gold (BTG)	Invacare (IVC)	Vicor (VICR)
Tri Pointe (TPH)	Medifast (MED)	Nio (NIO)
Ambac (AMBC)	Tivo (TIVO)	JC Penney (JCP)
Leaf Group (LEAF)	Warrior Met Coal (HCC)	Hecla Mining (HL)
Santander (SC)	Agilent (A)	Dermira (DERM)
Novo Nordisk (NVO)	Chubb (CB)	Synchrony (SYF)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Nio (NIO)	United Parcel (UPS)	Axxome (AXSM)
Int'l Game (IGT)	Freeprot (FCX)	Solid Bio (SLDB)
Sun Power (SPWR)	Kinder Morgan (KMI)	Wave Life Sci (WVE)
Fire-Eye (FEYE)	Silver (SLV)	Mirati (MRTX)
Teva Pharma (TEVA)	Pinterest (PINS)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Nio (NIO)	Ford Motor (F)	Discovery (DISCA)
Chesapeake (CHK)	Silver (SLV)	Medifast (MED)
AT&T (T)	Tesla (TSLA)	Braemar (BHR)
Apple (AAPL)	US Steel (X)	Sogou (SOGO)
Coca Cola (KO)	Avis Budget (CAR)	CareDx (CDNA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Salesforce (CRM)	US Steel (X)	FIVE, 2400 January \$140/\$125 strangles sold
Splunk (SPLK)	Okta (OKTA)	SEAS, November \$28/\$32 call ratio spread opening 1000X2000
McCormick (MKC)	TJX Co (TJX)	RVLV, 1000 November \$20/\$30 call spreads
Seattle Genetics (SGEN)	Elastic (ESTC)	MO, 1000 June \$47.5/\$37.5 bull risk reversals
Ambac (AMBC)	Veeva (VEEV)	MPC, 2000 November \$65/\$60 put spreads

## Macro Headlines

Cooling Economy Drives Chinese Officials to Prioritize Growth – WSJ

Kuroda: BOJ has capacity to ease further – Reuters

Trump hopes for Phase 1 signing at APEC in November – Reuters

Clarida says Fed seems on track for 10/30 cut but will remain 'patient' – Reuters

Oil Prices Set to Climb? Investors Aren't Betting on It – WSJ

GM strike could cut October jobs by as much as 75,000 – Reuters

ECB unlikely to ease further – Bloomberg

Prospect of President Warren Spooks Energy Investors – WSJ

McConnell prepared for long impeachment process in Senate – WSJ

Government shutdown risks rising as impeachment takes center stage – WaPo

## Stock Specific News

Russia may soften foreign ownership rules (pos. **YNDX**) – Moscow Times

**Grubhub's (GRUB)** Struggles Could Chill Food Delivery Hype – WSJ

Ratings firms are giving more leeway to big borrowers like **Kraft (KHC)**, **Newell (NWL)** – WSJ

Insurers Face Wave of Costly Child Sex-Abuse Claims – WSJ

**SAP** enters go-to-market partnership with **Microsoft (MSFT)**

**Danaher (DHR)** to sell certain businesses to **Sartorius AG** for \$750M

China new energy car sales drop in September, says CAAM (**TSLA, NIO**) – Digitimes

**TSMC (TSM)** to see profits surge in 2020-21 – Digitimes

**Temasek** Offers to Buy Control of **Keppel** for About \$3 Billion – Bloomberg

In 2020, more consolidation in food delivery seems likely (**UBER, AMZN, GRUB, LYFT**) – Bloomberg

**BHP Billiton (BHP)** plans \$780m provision over renewables switch – FT

**Roche** pushes late-comer Tecentriq as new liver cancer option – Reuters

**Smith & Nephew (SNN)** CEO stepping down after 17 months on job

**Wirecard** retains KPMG for independent audit

**AT&T (T)** is raising streaming prices for the second time in 2019 – Bloomberg

**Casper** is working with Goldman Sachs on late 2019 / early 2020 IPO – Bloomberg

**Goya Foods** is in late-stage talks to sell majority stake for \$3.5B valuation – NY Post

**Harley (HOG)** is resuming production of electric motorcycle – WSJ

**Aramco** is delaying IPO post-Q3 earnings in effort to boost valuation to \$2T – WSJ

South Park streaming rights could fetch \$500M (**NFLX, CMCSA**) – Bloomberg

House to deliver report on tech antitrust violations in 1H 2020 (**FB, AMZN, AAPL, GOOGL**) – Reuters

**Kennametal (KMT)** cuts FY outlook, sees Q1 below

**Seattle Genetics (SGEN)** says HER2CLIMB trial met primary endpoint

**Gannett (GCI), New Media (NEWM)** deal could be in jeopardy due to regulatory glitch - NYP

**Teradyne (TER)** to acquire **AutoGuide Mobile Robots** for \$165M

**ArQule (ARQL)** announces preclinical data showing potential for miransertib to treat VMs

**Adtalem Global (ATGE)** to sell Adtalem Educacional do Brasil to YDUQS

**Verizon (VZ)** seeking buyer for HuffPost website - FT

**Innophos (IPHS)** agrees to be acquired by One Rock for \$32 per share

### Extras

**Polaris (PII)** block of 1500 December \$85 calls closes \$9.40 but looks to be opening 1,800 of the \$90 calls for \$6.60

**Brightcove (BCOV)** unusual late trade opens 1000 November \$10 calls for \$0.60

**Yext (YEXT)** weak into the close seeing 1000 November \$15 and 1600 November \$12.50 puts with buyers

**Hershey (HSY)** with 650 Nov. 1<sup>st</sup> (W) \$150 calls opening \$5.83 as October adjusted into the close

**United Therapeutic (UTHR)** buyer 1500 OTM November \$95 calls \$0.55 offer to open

**Delta (DAL)** with 5000 Nov. 29<sup>th</sup> (W) \$54 calls bought right into the close \$1.34 offer

**Uber (UBER)** opening sale 5000 December \$28 puts for \$1.20

**Eagle (EXP)** with 1670 November \$95 calls opening for \$2.45 offer as October \$90 adjusted, strong chart and activist situation

**Berkshire Hathaway (BRK/B)** on Friday with 1400 June 2020 \$220/\$200 bull risk reversals opening for a small debit and name holding up well with sizable call open interest. BRK has 2,000 of next week's \$205 short puts in OI from 9-6, sold around \$4.50, and looking to hold current levels. It also has 2,000 June \$210 calls and most notably 10,000 of the January \$210 calls, over 20,000 of the \$220 calls, and 9,000+ of both the \$230 and \$240 calls in OI from buyers earlier this year and in 2018. Shares are in a big, bull wedge which stretches back to late 2017 and getting narrower with a move over \$213.50 triggering a move higher. On a daily chart, BRKB is coiled in a small flag above its 8- and 20-MA as well as cloud support. The \$515B conglomerate trades 19.3X earnings and 2X sales with 6-7% EPS growth and revenues up 4-5% annually the next two years. BRK has exposure to a lot of sectors within the US economy including rail (BNSF), housing (Benjamin Moore), industrial (PCP), and insurance (GEICO). They also have a steady retail footprint from See's Candy to Duracell. Earlier this year, Warren Buffett said he'd consider buying back \$100B in stock, about 20% of the market cap. Hedge fund ownership rose 11.65% in Q2. Eagle Capital Management, AQR, Adage Capital, and Brave Warrior notable holders. Peshing Square took a new and notable 3.5M share position as well. Vice COB Ajit Jain, once considered to be a top successor candidate for Warren Buffett, bought \$1.2M in stock in 2018 at \$199.82.

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
HAL	Halliburton	\$0.34	\$0.34	\$5,550.00	\$5,822.59	-10.10%	
LII	Lennox Int'l		\$3.41		\$1,019.15		
ONB	Old National Bancorp	\$0.41	\$0.34	\$209.80	\$201.79	17.00%	
PETS	PetMed Express		\$0.26		\$69.65		
SAP	SAP SE	\$1.30	\$1.30	\$6,801.00	\$6,781.25	12.80%	FY Above

### Earnings Previews

**Lockheed Martin (LMT)** will report earnings 10/22 before the open, a real standout recently with shares higher four of the last five, and the street looking for \$5.02 on \$14.87B in sales, a 3.8% increase Y/Y. The FY is guided to \$21.21 and \$59.19B. LMT has an average closing move of 2.75% and market pricing in around 2.89%. Skew is bearish with the 25-delta p/c at 27.9% vs 14.4% historically. The \$106.5B company trades 14.69X earnings and 1.85X sales with a 2.6% yield. LMT is coming off a strong



quarter with growth in aeronautics and missiles lifting their FY outlook. They have a record backlog and strong tailwinds from defense spending growth, especially around areas like hypersonics. Analysts have an average target for shares of \$372.50 with 9 buy ratings and 6 hold. CSFB out previewing earnings on 10-10 noting that they expect a conservative preliminary forward year outlook but one which will ultimately be too low, especially in MFC with planned production ramps for LMT platforms such as GMLRS, HELLFIRE, PAC3, THAAD, and JASSM. They expect Q3 growth to normalize given the comps toughen and LMT sees one fewer week in the quarter. They raised their PT to \$401. Cowen out positive on 10-2 and noting that their clear leadership merits a premium valuation. LMT offers low-risk margin driven growth from the F-35 (27% of sales) and a leading position in all key areas including missiles, missile defense, satellites, and radar. Short interest is 1.1%. Hedge Fund ownership fell 7.5% in Q2. Suvretta Capital a top buyer of 642k shares, a more than \$233M position. LMT saw insiders active into post-earnings strength in August with a director buying \$509k in stock at \$376.32, the largest buy in two years. Options flow is also bullish with the December \$365/\$360 bull put spread bought 1300X on Thursday, buyers in the Nov. 1<sup>st</sup> (W) weekly calls on 10-1, and buyers active across November and December regular expiry calls as well in September.

**Chipotle (CMG)** will report earnings on 10/22 AMC with the Street looking for \$3.19 on \$1.38B and the FY at \$13.45 on \$5.49B (+12.9%). Shares have closed higher five of the last six with the average closing move of 9.1%. Skew is slightly bearish with the 25-delta p/c at 17% vs 7.7%. 30-day IV is moderate at 37.6% and in the 69<sup>th</sup> percentile of its range. The \$22.98B company trades 47.8X earnings, 4.4X sales, and 32X cash with 25-30% EPS growth and low-teens revenue growth. CMG is hitting its stride again after appointing a new CEO in early 2018 who has driven new menu innovation and initiatives. They posted a 10% comp in Q2 and face a tougher Y/Y measure in Q3. Digital sales are becoming a significant driver with 99% growth last quarter and now near 20% of all sales with a slightly higher average ticket than in-store. Analysts have an average target for shares of \$755. BAML upgrading to Neutral last week at \$850 PT. The firm thinks CMG will generate better comps and margins over the near term given its "strong" sales momentum and normalizing avocado prices, even though he is "struggling" with the valuation on the stock. Sun Trust with a \$920 PT. They expect strong comps in Q3 and guidance for Q4 to be upbeat while initiatives for 2020 can provide upside. The analyst also notes that in addition to Chipotle's prior same-store-sales drivers, including delivery, digital order/pickup, and rewards programs, the national launch of Carne Asada has "significantly" increased its check mix while driving more traffic. Cleveland Research positive on 10-17 with checks showing comps are running ahead of expectations in Q3 as September looks to have finished the quarter a little better than he had initially expected. Short interest is 6.2% and its lowest level since late 2015. Hedge fund ownership fell 7% in Q2. Pershing Square a notable holder with 1.78M shares, their largest position at a near 19.5% weight. Squarepoint, Hitchwood, and Laurion Capital notable holders.