

TOP STORIES

- EU Grants Full Brexit Extension Until 1/31
- Johnson's Push for December Elections to Be Rejected by Parliament
- China's Industrial Profit Widens Drop on Economy, Deflation
- Fernandez Defeats Incumbent Macri in Argentine Presidential Election, As Expected
- Bears Rise to a 20-Year High in Latest Barron's Money Manager Survey

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3026.75 (6.5)	5-5
Nasdaq	8058.5 (22.75)	22.28
Dow	26980 (76)	73.94

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7309.88	-0.20%
DAX	12931	0.28%
Nikkei	22867.27	0.30%
Hang Seng	26891.26	0.84%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Int'l Trade in Goods	
8:30	Retail/Wholesale Inventories	
10:30	Dallas Fed Mfg.	

FOREX

EUR/USD	1.1098 (0.18%)
USD/JPY	108.71 (0.06%)
USD/CAD	1.3049 (-0.07%)
GBP/USD	1.2835 (0.11%)

COMMODITY

Oil	56.41 (-0.44%)
Natural Gas	2.376 (3.30%)
Gold	1507.5 (0.15%)
Copper	2.6805 (0.20%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.65 (-7.73%)
Nasdaq	VXN	16.17 (-6.80%)
Oil	OVX	34.64 (-3.64%)
Gold	GVZ	13.48 (-3.51%)

MARKET OUTLOOK

Futures are indicating a higher open for the week after a quiet weekend for news. Trade remains the forefront driver for the market at this point and nothing materially new there except continued optimism towards a Phase 1 signing at APEC in November (11/16). The focus this week really remains earnings, FOMC, and ISM (with jobs on Friday less impactful). There were a number of smaller geopolitical drivers this weekend. The EU agreed to an extension for Brexit until 1/31 as France's Macron dropped his objections. The deal may get done sooner. PM Johnson also lost a bid for a 12/12 election as his party wishes to see risk of a no deal plan completely removed. In Argentina, Alberto Fernandez won the Presidential election, as expected. Germany's Angela Merkel suffered another small setback with her party finishing third in a regional election. Italy's Salvini was a winner in another regional election raising questions about how long Rome's national government can last (the 5-Star/PD line got crushed).

Asian markets are higher this morning with US/China progress helping sentiment. The Nikkei hit a 1-year high behind strength in chips. China industrial profits fell 3.3% in September, slightly worse than the 2% fall in August. Industrial profits YTD are down 2.1% vs 1.7% last month.

European markets are mixed early today with the DAX leading up 30 bps. **HSBC** is down 4% after earnings and a new restructuring plan. The bank continues to struggle in the slowing environment. Spain's **Bankia** also down 3% after weak earnings and margins. **LVMH** is flat this morning after confirming reports it had approached **Tiffany (TIF)** with a bid. **Kering** and **Hermes** not seeing much of a reaction, down slightly, while **Swatch**, **Ferragamo**, and **Pandora** all up. German import prices rose slightly in September, better than expected.

S&P TECHNICALS

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



4473 Advancing	Declining 2848
56.9%	36.2%
374 New High	New Low 106
77.9%	22.1%
4847 Above SMA50	Below 2927
62.3%	37.7%
4520 Above SMA200	Below 3254
58.1%	41.9%

KEY EVENTS

Earnings After the Close: AKAM, GOOG, AMKR, APPF, BYND, BLKB, BRO, CVCO, CGNX, CR, EHC, WIRE, RE, GDI, HLIT, INST, JBT, LEG, MEDP, NOV, NXPI, OMF, OFIX, OI, PCH, ROIC, SANM, SBAC, TCF, TXRH, TMUS, RIG, TREX, VRNS, WCN, WELL, XPO

Tomorrow... FOMC starts, Case-Schiller, Consumer Confidence, Pending Home Sales

Earnings BMO: AOS, AGCO, AN, BP, TECH, CNX, CVLT, COP, GLW, CMI, DBD, ETN, ECL, EME, EXLS, FMS, GM, GRUB, HSC, HCA, HUBB, INCY, IR, I, IPGO, IRDM, K, KKR, LDOS, LNN, HZO, MMC, MLM, MA, MRK, NEO, BTU, PAG, PFE, R, SPGI, SHOP, SMPL, SHOO, SLCA, VSH, WDR, WAT, WH, XRX, ZBRA

ANALYST ACTION/COMMENTS

JetBlue (JBLU) upgraded to Buy at JP Morgan

Travelers (TRV) upgraded to Buy at MKM Partners

First Solar (FSLR) upgraded to Outperform at JMP

Tiffany (TIF) upgraded to Buy at Deutsche Bank

QEP upgraded to Overweight at Piper

Atlassian (TEAM) upgraded to Buy at BAML

Fortune Brands (FBHS) upgraded to Buy at Sun Trust

Alaska Air (ALK) downgraded to Neutral at JP Morgan

American Eagle (AEO) downgraded to Neutral at Citi

Lululemon (LULU) downgraded to Neutral at Citi

PVH Corp (PVH) downgraded to Neutral at JP Morgan

Tapestry (TPR) downgraded to Hold at HSBC

Albemarle (ALB) downgraded to Sell at BAML

Estee Lauder (EL) downgraded to Neutral at Piper

Cabot (COG) downgraded to Neutral at Susquehanna

Granite Construction (GVA) downgraded to Neutral at DA Davidson, \$30 PT

Yum China (YUMC) initiated Buy at Jefferies

Verra Mobility (VRRM) initiated Overweight at MSCO

Roku (ROKU) initiated Buy at BAML, \$154 PT

Jefferies expects conservative guidance from **Adobe (ADBE)** at analyst day

MEDIA HIGHLIGHTS

Exxon Mobil (XOM) looking for buyer for Billings, Montana refinery - Reuters

Care.com (CRCM) said to be working w/ advisors on sale of company - Bloomberg

Data leak at **Adobe (ADBE)** exposed info on 7M software users - Bloomberg

LVMH to offer about \$120 per share for **Tiffany (TIF)** in takeover offer - Bloomberg

Tiffany (TIF) expected to reject bid from LVMH - FT

Restaurant Brands' (QSR) Popeyes readying return of chicken sandwich - WSJ

Trump ordered **Amazon (AMZN)** to be 'screwed' out of \$10B cloud contract – Cnet

Boeing (BA) CEO to testify in front of Senate panel on Tuesday over safety of 737 – Reuters

Investors, others concerned about **SoftBank's WeWork** bailout - WSJ

Ground-service contractors are wary of **Fed-Ex (FDX)** efficiency initiative – Bloomberg

Amazon's (AMZN) big push into Brazil has one problem – **MercadoLibre (MELI)** – Bloomberg

California Gov. would 'love to see' **Berkshire (BRK.B)** make a bid for **PG&E (PCG)** – Bloomberg

Sears (SHLDQ) is considering asset sales including **DieHard** brand – WSJ

STOCK SPECIFIC NEWS OF NOTE

UAW **General Motors (GM)** members ratify 2019 Collective Bargaining Agreement; UAW set to begin bargaining with **Ford Motor (F)**

PG&E (PCG) says adverse weather this weekend may affect 940K customers

Department of Defense selects **Microsoft (MSFT)** over **Amazon (AMZN)** for \$10B cloud contract

AT&T (T) to sell majority stake in CME for \$1.1B

Central European Media (CETV) to be acquired by PPF Group N.V. in \$2.1B deal

Prologis (PLD) to acquire **Liberty Property (LPT)** for \$12.6B

Jacobs (JEC) acquires 50% share in Simetrica

PRE-MARKET MOVERS

Moving Higher: TIF 29%, SPOT 5.6%, OSTK 5%, MSFT 3%, UNG 2.3%, ROKU 2%

Moving Lower: HSBC -4%, ALV -2%

INSIDER TRADING (Form 4 Filings)

Buying: TTS, AGO, LLY

Selling: FB, BHVN, BLK, EW, LOGI, TNET, TDY, ORLY, RL, JBL, ABT, RF, SNA,

POTENTIAL SYMPATHY TRADES

SIG, CPRI, TPR – on TIF/LVMH news

MCD, WEN, YUM – on QSR earnings

OPTION HIGHLIGHTS (Prior Day)

PBF Energy (PBF) strong run recently and today seeing 2,900 December \$30 calls roll up to the \$34 strike which open for \$1.40/\$1.45. Today's action follows buyers in the December \$31 calls, 1500X, and the March \$32 calls over 1900X within the last week while 4500 January \$40 calls remain in OI from buyers earlier in the year. Shares have rallied sharply off the August lows and fairly extended here with the rising 20-MA around \$29 an optimal spot which aligns with the July breakout level. Longer-term, PBF is clearing a downtrend from the 2018 highs and has a lot of upside beyond a key inflection zone at \$35 with \$40 and then \$45 notable VPOC above. The \$3.68B company trades 6.5X earnings, 0.15X sales, and 11.5X FCF with a 3.8% yield. PBF is entering a period of strong margin growth as they wrap a year-long maintenance plan and prepare to close on the acquisition of the Martinez refinery from Shell. The deal adds new scale in California and overall capacity now over 1M bpd. It also gives them a strong position to supply IMO 2020 compliant fuels. Analysts have an average target for shares of \$40. Cowen upgrading to Outperform on 10-21 with a \$42 PT. The firm thinks PBF has peer-leading leverage to light/heavy crude diffs and that spread should widen as a result of IMO 2020. Goldman upgrading to Neutral in August. Credit Suisse positive with a \$42 PT. The firm is positive on FCF and their overall balance sheet as they close the Martinez deal. Short interest is around 4%. Hedge fund ownership fell 0.50%. SIR Capital and Anchor Bolt Capital notable buyers of shares. Carlos Slim's Invesora Carsa has been adding millions in stock recently adding over \$68.5M since 8-5.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.665	Declining
CBOE Index Put/Call Ratio	1.33	Elevated – Cautious
CBOE Skew Index	125.7	Elevated
VIX Curve	Contango	Normal
CNN Fear & Greed Index	62	Greed
NYMO	23.4	Neutral
NYSE New Highs – New Lows	80.61	Rising
McClellan Summation	640.26	Above 8-EMA
Univ. of Michigan Consumer Sentiment	95.5 (September Final)	Fading

SMART MONEY (13g/13d Filings)

IPO MONITOR

Fangdd Network (DUO) issuing 7M shares at \$13-\$15; China-based developer of online and mobile real estate platform

Oyster Point Pharma (OYST) issuing 5M shares at \$16-\$18; Clinical stage biopharmaceutical company developing therapies to treat ocular surface diseases

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

NICE:



NICE (NICE) shares are coiled in a multi-month bull flag under \$156 with a breakout targeting a move up to \$170+. MACD is nearing a bull crossover while RSI is improving and back near 60.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Five Below (FIVE)

Price: \$129.50

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: The \$7.2B retailer trades cheap at 34X earnings and 4.25X sales with mid-20% growth. FIVE is moving into a historically seasonally strong period as one of the more 'Holiday driven' retailers. The company been focusing on unit expansion while moving into new verticals like in-store gaming. The release of Frozen 2 will also be a notable catalyst with merchandise a driver.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CYBR:



Cyber-Ark (CYBR) shares are consolidating in a bear flag above the September lows with a breakdown under \$95 having room back to \$85. Shares have been unable to push past the declining 20- and 50-MA.

PAIR TRADE OF THE WEEK

Industry: Packaging

Long/Short: Long **Packaging Corp (PKG)**; Short **Tupperware (TUP)**

Analysis: PKG is showing nice relative strength with a fair valuation at 15.7X earnings and 11.3X FCF. Recent fear of containerboard cuts is overblown with the company not expecting as deep of discounts as feared. TUP continues to face headwinds from FX while their massive turnaround plan isn't expected to make a major impact until 2020.

SMALL CAP TRADE OF THE WEEK

ICF International (ICFI) is a \$1.57B company which focuses on marketing and policy consulting to government clients in the US. They offer a range of services from social impact statements, data collection and analysis, cyber security solutions, and more. Shares trade 18X earnings and 1.1X sales with double-digit growth. They are coming off a strong quarter and Sun Trust with a \$110 PT seeing potential for another \$1B in contract wins.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Xunlei (XNET)	Amneal (AMRX)	PG&E (PCG)
BRF SA (BRFS)	Shutterstock (SSTK)	Halozyme (HALO)
Social Capital (IPOA)	Infosys (INFY)	Edison (EIX)
Infosys (INFY)	Covanta (CVA)	Farfetch (FTCH)
Cornerstone (CSOD)	Terex (TEX)	Amneal (AMRX)
Illumina (ILMN)	VF Corp (VFC)	Social Capital (IPOA)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Encompass (EHC)	Telefonica (TEF)	Mallinckrodt (MNK)
NanoString (NSTG)	Life Storage (LSI)	Ehealth (EHTH)
Cornerstone (CSOD)	Energizer (ENR)	Mohawk (MHK)
Cision (CISN)	Braemar (BHR)	Goodyear (GT)
BRF SA (BRFS)	Hill Rom (HRC)	Proofpoint (PFPT)
Corbus (CRBP)	Valaris (VAL)	BJs Restaurant (BJRI)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Pure Storage (PSTG)	ON Semi (ON)	Assembly Bio (ASMB)
Viacom (VIAB)	Atlassian (TEAM)	Solid Bio (SLDB)
Cabot (COG)	Qualcomm (QCOM)	Mirati (MRTX)
Bilibili (BILI)	Lyft (LYFT)	Wave Life (WVE)
Fitbit (FIT)	Halliburton (HAL)	Athenex (ATNX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Apple (AAPL)	JD.com (JD)	Covanta (CVA)
Fitbit (FIT)	Ford Motor (F)	Terex (TEX)
Facebook (FB)	First Solar (FSLR)	VF Corp (VFC)
Tesla (TSLA)	Box (BOX)	Cornerstone (CSOD)
AMD	Ciena (CIEN)	Illumina (ILMN)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Pure Storage (PSTG)	Equinix (EQIX)	MCD< 1,000 November \$190 synthetic long spreads
Cisco (CSCO)	Verizon (VZ)	APA, 5000 January \$25/\$17.5 bull risk reversals
Nutanix (NTNX)	Wayfair (W)	EOG, 2,000 December \$75/\$70 bull risk reversals
Capri (CPRI)	Invesco (IVZ)	BRKB, 1,000 January \$225/\$195 bull risk reversals
World Wrestling (WWE)	Grub Hub (GRUB)	HCA, 1,600 November 8th (W) \$127/\$130 call spreads

Stock Specific News

China creates new \$29B semiconductor fund to close silicon gap with US – WSJ

China Baby Formula Maker **Feihe** Seeks Up to \$1.14 Billion in IPO – Bloomberg

U.S. Consumers Expected to Spend \$8.8 Billion on Halloween (**HSY**) – Bloomberg

Offshore wind worth \$1 trillion by 2040 – City AM

Rio Tinto (RIO) chief looks beyond mining's larger, riskier projects – FT

Uniqlo to quadruple Southeast Asia stores to 800 in 10 years – Nikkei

Israel's **JFrog** mulls Nasdaq IPO at \$1.5B valuation – Reuters

Air Products (APD), ACWA, Aramco JV raising debt to fund purchase of assets – Reuters

China's Unicorn Population Flourishes, but for How Long? (**BABA, SFTBY**) – WSJ

The Race Is On for The Future of Bond Trading (**MKTX**) – WSJ

Blackstone (BX) increases big bet on warehouses in online-shopping push – WSJ

ABB to acquire majority stake in **Chargedot New Energy** – Reuters

Small oil-and-gas companies get cold shoulder from large banks – Reuters

Warner Bros. (T) Faces Big Profit Share on Record-Setting 'Joker' Haul – WSJ

Qatar is pushing for the removal of **Deutsche Bank's (DB)** chairman – Reuters

Google (GOOGL) Search to stop indexing Flash (**ADBE**) content in late 2019 – Venture Beat

AngloGold (AU) weighing bids for its South African assets – Bloomberg

Barron's positive on **UNH, FDX, BYD, PENN, STNG, MA, PYPL, V, JWN**; cautious **SQ**

California cannabis producers facing regulatory issues – 60 Minutes

AT&T (T) announces three-year capital allocation plan with Elliott support

Apollo Global (APO) to acquire 18% incremental stake in **Athene Holding (ATH)**

VICI to acquire Jack Cleveland Casino, Thistledown Racino for \$843.3M

Trump interested in **Exxon (XOM)** deal to tap Syrian oil – CNBC

Extras

Reata Pharma (RETA) late day buyers of 550 November \$210 calls for \$8.60 to \$9.00; **RETA** earlier also seeing IV dive as 765 November \$190 puts sold to open from \$12.30 to \$11.50

Walgreen (WBA) buyers of 1,450 December 6th (W) \$56 calls up to \$1.89

Middleby (MIDD) with 500 December \$120 calls bought for \$5.40, adjusting some November calls

Southern Co (SCCO) with 480 March \$32 calls bought \$4.80 to \$5

Splunk (SPLK) with afternoon buyers of 800 November \$122 calls up to \$2.75

Okta (OKTA) buyer of 575 November 22nd (W) \$115/\$119 call spreads for \$1.11

Takeda (TAK) with 500 April \$15 calls bought for \$3.20 to open, earnings on 10-31 and basing

PluralSight (PS) with 1250 December \$20 calls bought up to \$1.18, rolling out of some Nov. calls

Palo Alto (PANW) with 1,600 November 1st (W) \$225/\$230 call spreads bought for \$1.83

Marathon Petroleum (MPC) afternoon buyer of 2,000 November 1st (W) \$68.50 calls for \$2.07 into 10-31 earnings

Norfolk Southern (NSC) buyers of more than 1,950 January \$190 calls on Friday for than \$1.35M in premium, sizable trade in the name which has traded flat since earnings. NSC has seen some iron condors open in December and some smaller, but high-dollar, call buys in the Jan. 2021 \$160 and June 2020 \$170 calls open and remain in open interest. On 7-29, a director bought \$100,546 in stock at \$191.52, the first open market buy in the name in over four years. Shares are working out of a multi-week flag after pulling back to trend and cloud support with upside targets of \$197.50 and the new highs above \$210. MACD is crossing over bullish on the weekly for the first time since early Feb. The \$49B company trades 16.5X earnings, 4.27X sales, and 61.5X FCF with a 2% yield, a slight discount to peers like KSU/UNP. NSC is guiding to 11.75% and 13.65% EPS growth with revenues of 2% and 4%. NSC posted a record operating ratio in Q3 but slower than peers and taking down their 2019 goals, a slight disappointment. Terminal dwell fell 32%, a big improvement, while train speed increase 16% which is also a record showing that NSC is starting to put the pieces together for long-term improvement once the economy turns. NSC continues to see headwinds from trade uncertainty and manufacturing declines. For now, they plan on focusing on cost-savings. Analysts have an average target for shares of \$205. BAML downgrading last week to Neutral with a \$198 PT, unchanged. They are positive on hitting the 60% OR by 2021, however, which remains on track. CSFB with a \$199 PT and Outperform rating on 10-23. The firm was also disappointed by the pace of OR improvement but the potential remains for outsized gains. They are also optimistic with former CN CEO Claude Mongeau now sitting on the Board (they view as a

highly significant event) and one way or another a meaningful improvement is forthcoming. Short interest is 1.3%. Hedge fund ownership rose 5% in Q2. Balyasny a notable buyer of shares while Soroban Capital and Palestra Capital remain top holders.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AMG	Affiliated Managers	\$3.16	\$3.14	\$549.00	\$547.10	-8.70%	
AWI	Armstrong World	\$1.38	\$1.30	\$277.10	\$289.93	6.40%	FY Light
T	AT&T	\$0.94	\$0.94	\$44,588.00	\$45,449.24	-2.50%	FY Strong
CHKP	Check Point Software	\$1.44	\$1.40	\$490.91	\$490.94	4.30%	
CTB	Cooper Tire	\$0.58	\$0.49	\$704.10	\$734.96	-4.60%	
DO	Diamond Offshore	-\$0.67	-\$0.70	\$254.00	\$244.43	-11.30%	
DORM	Dorman Products	\$0.67	\$0.86	\$253.80	\$268.65	2.30%	
EPD	Enterprise Products	\$0.46	\$0.54	\$7,964.10	\$8,971.47	-16.90%	
L	Loews Corp	\$0.24	\$0.68				
ON	ON Semiconductor	\$0.33	\$0.36	\$1,381.80	\$1,380.67	-10.40%	
PHG	Philips	\$0.46	\$0.50	\$4,702.00	\$4,694.42	9.20%	
QSR	Restaurant Brands Int'l	\$0.75	\$0.72	\$1,458.00	\$1,462.70	6.00%	
SPOT	Spotify	\$0.36	-\$0.29	\$1,731.00	\$1,719.12	28.00%	FY In Line
WBA	Walgreens Boots Alliance	\$1.43	\$1.41	\$33,954.00	\$33,884.45	1.50%	

Earnings Preview

Ingersoll-Rand (IR) will report earnings on Tuesday before the Open with the Street looking for \$1.91 on \$4.29B in sales. Next quarter is guided to \$1.49/\$4.17B while the FY is \$6.38 and \$16.58B (+5.8% Y/Y). Shares have closed higher each of the last six reports with an average closing move of 3.56%. The market is pricing a +/- \$4.03 (~3.3%) with 30-day IV in the 64th percentile of its 52-week range. Skew is in-line with historical ranges at 15.2% vs 14.6%. The \$29.25B company trades 17.33X earnings, 1.82X sales, and 33.4X cash with a 1.75% yield. Estimates for FY20 and FY21 have come down a bit in recent weeks with expectations now for 9.5% and 9% EPS growth and 4.2% and 3% revenues. IR has been positive on their strategy and key end market growth despite overall headwinds from the macro uncertainty. Order rates and backlog continue to grow, supportive of a positive 2H, while non-residential HVAC a standout. Both industrial and transport bookings have been weak. Analysts have an average target for shares of \$132. Stephens downgraded shares to Neutral on 10-7 with a \$122 PT. The analyst lowered estimates across the Electrical Equipment and Multi-Industry group due to the delaying of business capital expenditure decisions that has been caused by macro deceleration and geopolitical

uncertainty. CSFB positive on 10-25 given a read-through from peer Atlas Copco which reported organic growth of 7% in Compressor Technique, a significant beat vs St. at 1.5% and comes despite the uncertainty in market strength. They also see a mixed read-through from UTX's report on HVAC. Short interest is 1% and near the lowest-levels of the last three years. Hedge fund ownership rose 6.9% in Q2. Suvretta Capital a notable buyer of shares. On the chart, IR shares have been strong since early 2019 and flagging on the weekly under \$128.50. A breakout targets \$144.50. Support below is at \$112.50 and then the April breakout level around \$107.50.