

TOP STORIES

- US to Impose 25% Tariffs on EU Goods Like Wine, Cheese
- EU Services Stumble as Sharper Global Slowdown Looms
- Eurozone Retail Sales Rise in August, Topping Estimates Despite Headwinds

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2890.25 (9.75)	1.84
Nasdaq	7578 (31.75)	10.21
Dow	26061 (76)	15.38

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7082.56	-0.56%
DAX	Closed - Holiday	
Nikkei	21341.74	-2.01%
Hang Seng	26110.31	0.26%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Jobless Claims	216k
8:30	Randal Quarles Speaks	
9:45	PMI Services	
10:00	Factory Orders	-0.6%
10:00	ISM Non-Mfg	55.5

FOREX

EUR/USD	1.0957 (-0.01%)
USD/JPY	107.06 (-0.10%)
USD/CAD	1.3331 (0.08%)
GBP/USD	1.2285 (-0.12%)

COMMODITY

Oil	52.62 (-0.04%)
Natural Gas	2.287 (1.78%)
Gold	1507.2 (-0.05%)
Copper	2.55 (-0.80%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	20.39 (9.86%)
Nasdaq	VXN	23.49 (7.02%)
Oil	OVX	39.62 (1.90%)
Gold	GVZ	15.78 (1.09%)

MARKET OUTLOOK

Futures are modestly higher this morning after the US announced retaliatory tariffs on EU goods for 10/18. The range of products includes aircraft and agricultural products but excludes some key parts for Boeing (BA) rival Airbus. The \$7.5B in duties was widely expected after the WTO ruling and also targets consumer products like cheese, wine, and whiskey. We got more lackluster data out of the EU this morning while in the UK PM Johnson continues to push for a Brexit deal ahead of their summit. Futures are pretty quiet, otherwise, with natural gas up 1.6% as a cold front pushes through the Midwest. Copper down 80 bps. The 10-year yield is 1.579% and continues to slide.

Asian markets were mixed overnight but the Nikkei a standout down 2% following the US session. It hit a new 3-week low as concerns rise over global growth. China remains on Holiday and South Korea also off today. Japanese services PMI came in at 52.8, slightly down M/M but not a surprise. Brokerages were down this morning and leading losses with the US pricing war. **Daiwa** fell 3.3% and **Nomura** down 2%. Automakers fell with **Suzuki** leading off by 3.3%. Insurer **T&D** was down 4%.

European markets are modestly lower today. Germany on Holiday today for Unification Day. EU retail sales came in at 2.1%, slightly better than feared. PPI was light at -0.8% vs -0.5%. Services PMI was light at 51.6 which dragged down composite PMI slightly to 50.1 vs 50.4. German services PMI was also light. Services PMI in the UK fell to 49.5 as more firms move away ahead of Brexit. Italy was the only outperformer. **Airbus** higher by 3.5% today with the US tariff list exempting some parts. Luxury brands like **Remy Cointreau** and **LVMH** were both higher after being excluded, +5.5% and 2% respectively. Clothing company **Ted Baker** down 35% after warning on their outlook. **H&M** up 7% after their first quarterly profit in two years. **Bang & Olafsen** down 2.5% after earnings.

S&P TECHNICALS

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



1844 Advancing	Declining 5599
23.6%	71.5%
32 New High	New Low 298
9.7%	90.3%
2498 Above SMA50	Below 5241
32.3%	67.7%
3448 Above SMA200	Below 4291
44.6%	55.4%

KEY EVENTS**Earnings After the Close:** ASNA, COST, SGH**Analyst Days:** AINC, TOT, VRA, HPQ, INTU**Conferences:** NACS 2019, Wolfe Research Utilities, Cantor Healthcare**Tomorrow...** Employment Situation at 8:30 AM, International Trade at 8:30, Jerome Powell Speaks at 2:00**ANALYST ACTION/COMMENTS****Crowdstrike (CRWD)** upgraded to Buy at Sun Trust**Okta (OKTA)** upgraded to Buy at Sun Trust, \$134 PT**Newmont (NEM)** upgraded to Buy at Deutsche Bank**Raytheon (RTN)** upgraded to Outperform at CSFB**Wipro (WIT)** upgraded to Neutral at Goldman**Schwab (SCHW), E-Trade (ETFC)** downgraded to Neutral at Wells Fargo; **Ameritrade (AMTD)** cut to Sell**Tesla (TSLA)** downgraded to Neutral at JMP**Arista (ANET)** downgraded to Neutral at Nomura**Insulet (PODD)** downgraded to Neutral at Guggenheim**Weidai (WEI)** downgraded to Sell at Citi**Yirendai (YRD)** downgraded to Sell at Citi**Prudential (PUK)** initiated Outperform at Macquarie**Incyte (INCY)** initiated Buy at Mizuho, \$95 PT**Lyft (LYFT), Uber (UBER)** initiated Neutral at MKM**Arrowhead (ARWR)** initiated Buy at Baird, \$39 PTRBC starting **NLY, CIM, MFA, TWO** at Outperform and **AGNC** at Neutral**Atlassian (TEAM)** initiated Buy at Sun Trust**New Relic (NEWR)** initiated Buy at Sun Trust, \$80 PT**Service Now (NOW)** initiated Buy at Sun Trust, \$321 PTSun Trust starting **SPLK, PANW, RPD, SAIL, ZS** at Buy, **FEYE, PFPT, QLYS, TENB** at Neutral**Cosan (CZZ)** initiated Buy at Goldman**United Tech (UTX)** initiated Buy at Credit Suisse**MEDIA HIGHLIGHTS**NHTSA looking into parking lot crashes involving driverless **Tesla Motors (TSLA)** - Reuters**Equinix (EQIX)** near \$200M deal for Axtel's data centers in Mexico - Bloomberg**Kroger (KR)** to lower headcount at stores - Bloomberg**Oi** may consider selling Brazilian mobile unit - Reuters**Uber (UBER)** launching app that matches businesses and temp workers - FTUAW considers 'no-confidence' vote on **General Motors (GM)** CEO Barra - NY Post**Dell (DELL)** reportedly to increase server purchases from Taiwan, step up salesforce – Digitimes**Advanced Micro (AMD)** CPUs see rising adoption in enterprise market – DigitimesNFL TV Ratings Rebound Is a Rare Bright Spot for Major Networks (**CBS, CMCSA, FOX**) – Bloomberg**Ted Baker** Warns of Possible Sales Decline After Year of Turmoil – Bloomberg**De Beers** Diamond Sales Fall 39% in a Year – Bloomberg**H&M** Returns to Growth After Two-Year Slump – Bloomberg**STOCK SPECIFIC NEWS OF NOTE****E-Trade (ETFC)** announces zero base rate commissions**Verisk Analytics (VRSK)** to acquire **BuildFax****Stitch Fix (SFIX)** discloses 'critical audit matter'**Circor (CIR)** wants to sell Distributed Valves unit**Tesla (TSLA)** says produced 96,155 vehicles, delivered 97,000 vehicles in Q3**Mercury Systems (MRCY)** to join S&P 400; **Cliff's (CLF)** to join S&P 600**GoPro (GPRO)** lowers outlook; HERO8 Black shipments will shift from Q3 to Q4 due to production delay**CalAmp (CAMP)** discloses negative patent ruling**Puma Biotechnology (PBYI)** gets FDA labeling supplement approval for Nerlynx**Clorox (CLX)** cuts 2020 EPS outlook**AXT (AXTI)** cuts Q3 view**Grocery Outlet (GO)** sees Q3 sales above; 5.8% comps

PRE-MARKET MOVERS

Moving Higher:

Moving Lower: BBY -5.5%

INSIDER TRADING (Form 4 Filings)

Buying: SPN, SGMS, FDX, MXL, OXY

Selling: XYL, NEE, CAT, NEOG, RMD, CMS, CTXS, SKY, CRM, MTN, CL, EW, KEYS, MCK

POTENTIAL SYMPATHY TRADES

KO, MNST, MDLZ – on PEP earnings

SIG, TIF – on weak De Beers sales

OPTION HIGHLIGHTS (Prior Day)

Avis Budget (CAR) buyers of 4,000 November \$28 puts today for \$3.20 to \$3.30 and later 1,000 January \$26 puts bought for \$3.10. CAR has seen a lot of bearish accumulation recently including 2000 November \$25 puts last week while some far OTM January 2021 puts sit in open interest. Shares are stretched a bit lower today, down 5.5%, but longer-term setting up for an extended leg lower after failing at the declining 20- and 50-MA on the recent bounce. A move under \$25 has room under \$15 but the bigger range breakdown under \$20 which stretches back to 2016 targets single-digits. The \$2.09B company trades 6.27X earnings, 0.23X sales, and 0.94X FCF with estimates calling for a 13% decline in FY21 EPS and flat to no growth in revenue. CAR continues to suffer from weak pricing, especially Internationally, as they face headwinds from growing competition from ride-hailing services which is reducing airport volume growth (especially among Brexit and EU travel lower in Q2). They're also seeing low-single digit growth domestically in a positive pricing environment which has risk as more cars come off lease. Analysts have an average target for shares of \$38 with limited coverage. Goldman upgraded to Buy earlier this year with a \$35 PT citing strength in their cost optimization strategies. Short interest is 10.1% and ticking higher in the last two months for the first time all year. Hedge fund ownership fell 1.6% in Q2. Lyrical Asset Management, PAR Investment, and SRS notable holders.

AFTER HOURS MOVERS

Gainers: PBYI 8.5%, CLF 4%

Losers: TSLA -4%

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

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>
Fleetcor (FLT)	Peabody (BTU)	Peloton (PTON)
Cedar Fair (FUN)	Kirby (KEX)	Zynerba (ZYNE)
Middleby (MIDD)	Taubmab (TCO)	Nabors (NBR)
Hilton (HGV)	Stitch Fix (SFIX)	Tandem (TNDM)
Cabot (COG)	Gardner Denver (GDI)	BioCryst (BCRX)
TD Ameritrade (AMTD)	Sage (SAGE)	WW (WW)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Pra Group (PRAA)	Gardner Denver (GDI)	Stitch Fix (SFIX)
MDC Holdings (MDC)	Caesarstone (CSTE)	United Natural (UNFI)
Hilton Grand (HGV)	Peabody (BTU)	Altaba (AABA)
Middleby (MIDD)	MSG Networks (MSGN)	Nio (NIO)
Hecla (HL)	Waddell & Reed (WDR)	Yeti (YETI)
ZTO Express (ZTO)	Taubman (TCO)	Lennar (LEN)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Mylan (MYL)	Merrimack (MACK)	PG&E (PCG)
Intel-Sat (I)	Macerich (MAC)	Overstock (OSTK)
Aimmune (AIMT)	Credit Suisse (CS)	Gossamer (GOSS)
Sirius (SIRI)	Silver (SLV)	G1 Therapeutics (GTHX)
First Majestic (AG)	Ford Motor (F)	Dova (DOVA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
GE	McDermott (MDR)	Taubmab (TCO)
Mylan (MYL)	AT&T (T)	Stitch Fix (SFIX)
Morgan Stanley (MS)	Delta (DAL)	Gardner Denver (GDI)
Altaba (AABA)	Cisco (CSCO)	Sage (SAGE)
Tesla (TSLA)	Wells Fargo (WFC)	
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Walmart (WMT)	Lyft (LYFT)	TSCO, November 1st (W) \$89/\$75 put spread 400X800
Target (TGT)	Intercept (ICPT)	HGV, December \$33/\$36 call spread 3,500X7,000
Mastercard (MA)	Rio Tinto (RIO)	SBUX, April \$85/\$75 put spread bought 1000X2000
Edison (EIX)	Omnicom (OMC)	CRON, 2500 January \$9/\$7.50 bull risk reversals
Fed-Ex (FDX)	Hartford (HIG)	ABMD, October \$165/\$150 put spreads trading 400X

Stock Specific News

Bang & Olufsen Extends Losses as Consumers Balk at Luxury TVs – Bloomberg

Imperial Brands CEO Cooper to Step Down – Bloomberg

Vice Media takes hit in valuation as it acquires **Refinery29** – NY Post

Short sellers pile into **WeWork (WE)** debt – FT

Insurer **Tokio Marine** to purchase US peer **Pure Group** for \$3B – Nikkei

Canadian M&A activity fell 31% in Q3 – Reuters

Coursera extends its course catalog and authoring tools to colleges – Venture Beat

Lady Luck's Macau Visit Could Be Fleeting (**MLCO, LVS, WYNN, MGM**) – WSJ

Eli Lilly (LLY) presents Taltz head-to-head trial data, primary endpoint met

MSG Networks (MSGN) announces final results of modified Dutch auction tender offer

Ciena (CIEN) announces intent to acquire Centina

Alliance Data (ADS) selected by Land's End for branded credit card loyalty services

Zoetis (ZTS) announces new CEO

Enanta (ENTA) announces new data from Phase 2a EDP-938 study at IDWeek

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ANGO	AngioDynamics	\$0.08	\$0.04	\$66.00	\$67.74	3.30%	
STZ	Constellation Brands	\$2.72	\$2.62	\$2,340.0	\$2,343.65		
PEP	PepsiCo	\$1.56	\$1.51	\$17,188.00	\$16,933.65	4.30%	
BBBY	Bed Bath & Beyond	\$0.34	\$0.31	\$2,719.45	\$2,756.24	-7.30%	FY In Line
RECN	Resources Connection	\$0.16	\$0.14	\$172.20	\$173.02	-3.60%	

BBBY – Beat on EPS and Missed on Revenues - Mary Winston, Interim CEO, stated, "We are making good progress against our four key near-term priorities, including: (1) stabilizing sales and driving top-line growth; (2) resetting the cost structure; (3) reviewing and optimizing the Company's asset base, including the portfolio of retail banners; and (4) refining our organization structure. Our second quarter financial results reflect the relentless effort of our teams and our progress in driving the Company's transformation efforts to delight our customers, enhance our competitive position, improve our financial performance, and drive shareholder value."

Extras

WABTEC (WAB) also with 3000 December \$65 puts bought for \$4.40 now

PagSeguro (PAGS) afternoon buy of 700 June 2020 \$37.50 puts \$4.90 offer to open

Comcast (CMCSA) buyer of 520 March \$37.50 ITM calls for \$7.72 to open

Ball (BLL) with 700 May \$70 puts sold to open \$5.60 bid

Duke Energy (DUK) buyer of 1000 June \$90 puts to open \$4.40

GOLAR LNG (GLNG) with 1000 January 2022 \$20 calls opening \$2.20

Ferrari (RACE) with 1000 November \$150 straddles bought to open, earnings 11-4

eBay (EBAY) with 1440 November \$35 ITM calls opening \$4 against the \$31 puts

Bed Bath (BBBY) with 2000 May \$10 calls bought \$2.25 to open at the CBOE

Intel-Sat (I) spread sold 5000 December \$24 calls at \$3.80 to buy 10,000 March \$30 calls at \$3.90

Fidelity Info Services (FIS) buyers of more than 4,400 November \$130 calls for \$5.50 and follows 2,000 bought at the strike on Monday. FIS has 4,000 October \$125 calls in OI from buyers. FIS has been a steady name higher since late 2018, trading up 49.5% through late August and pulling back to the 20-week EMA. Shares have support down around \$125 from July. The \$82.2B payments company trades 20.66X earnings, 9.76X sales, and 8X cash with a 1% yield. FIS expects 17.5% EPS growth two-years post-merger with Worldpay with revenues up 7.5%. The deal closed in August and gives them greater exposure to e-commerce and integrated payments globally. It also gives them a more vertically-aligned position in the transaction process with payment tech, authorization, analytics, and settlement options. FIS sees growth in cross-border e-commerce as a key long-term driver with global volumes expected to grow to \$4T to \$4.5T by 2020, up from \$2T this year. They see \$700M in incremental EBITDA from the deal through cost savings and revenue synergies. Analysts have an average target for shares of \$149.50. Cowen out positive on 9-9 noting seeing upside from: 1) Cost Synergy Upside; 2) Capital Allocation Upside – we see each company at or near target leverage ratios by YE20, freeing up excess FCF to return to shareholders and/or engage in additional M&A; 3) Lower Debt Costs. Baird positive on 9-16 with a \$158 PT citing better leverage and an improved earnings outlook. Keybank upgrading to Overweight on 9-5 as the analyst sees the company as strategically positioned for sustainable merchant share gains, B2B monetization, and accretive capital allocation with room for modest FI cross-sell. Short interest is 1.3%. Hedge Fund ownership rose 18% in Q2. D1 Capital, Senator Investments, and Longview Partners notable holders. A director bought \$544K in stock at \$107.22 back in March.