

## TOP STORIES

- Global Markets Quiet Ahead of Jobs Report
- India's Central Bank Cuts Rates Again
- Hong Kong Leader Invokes Emergency Powers to Ban Masks During Protests
- Report: Apple Boosting Production of iPhone

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2900.25 (-11.5)</b>	<b>-10.78</b>
<b>Nasdaq</b>	<b>7630.75 (-27.75)</b>	<b>-24.65</b>
<b>Dow</b>	<b>26087 (-93)</b>	<b>-82.04</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7092.17</b>	<b>0.21%</b>
<b>DAX</b>	<b>11911.72</b>	<b>-0.11%</b>
<b>Nikkei</b>	<b>21410.2</b>	<b>0.32%</b>
<b>Hang Seng</b>	<b>25821.03</b>	<b>-1.11%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Employment Situation</b>	<b>145K/3.7%</b>
<b>8:30</b>	<b>Int'l Trade</b>	<b>-\$54.5B</b>
<b>10:25</b>	<b>Raphael Bostic Speaks</b>	
<b>2:00</b>	<b>Jerome Powell Speaks</b>	
<b>2:10</b>	<b>Lael Brainard Speaks</b>	
<b>4:00</b>	<b>Randal Quarles Speaks</b>	

## FOREX

<b>EUR/USD</b>	<b>1.0988 (0.22%)</b>
<b>USD/JPY</b>	<b>106.7 (-0.19%)</b>
<b>USD/CAD</b>	<b>1.3321 (-0.10%)</b>
<b>GBP/USD</b>	<b>1.2336 (0.06%)</b>

## COMMODITY

<b>Oil</b>	<b>52.34 (-0.21%)</b>
<b>Natural Gas</b>	<b>2.332 (0.13%)</b>
<b>Gold</b>	<b>1515.7 (0.13%)</b>
<b>Copper</b>	<b>2.543 (-0.40%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>19.51 (-5.11%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>22.72 (-4.26%)</b>
<b>Oil</b>	<b>OVX</b>	<b>40.57 (2.40%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>16.31 (3.56%)</b>

## MARKET OUTLOOK

Futures are indicating a modestly lower open for the morning ahead of the September jobs report. The number comes amid various signs of a slowdown over the past week and may bolster the chances of a two more rate cuts this year. Bets on further rate cuts have already jumped this week with probability of a 25 bps move in October now 87% vs 49.2% last week. It will also be a busy day for Fed speakers. Eric Rosengren will be interviewed on TV mid-day while several others are speaking. Jerome Powell will speak later this afternoon at an event in Washington DC. Elsewhere, POTUS continues to come under pressure from calls to investigate Joe Biden with China's Xi now in the mix. In Hong Kong, a facemask ban has sparked more protests in the streets with activists gathering around the city. Commodity-side is pretty quiet with platinum down 75 bps and Brent crude up 80 bps but really nothing of note. Lumber up 1.5%. The 10-year yield continues to fall and now 1.528%.

Asian markets finished the week on a flat note with the Nikkei edging slightly higher. Financials were under pressure again. Apple-related names like **Murata**, **Alps Alpine**, and **Minebea** rose 2-3% on reports the company was boosting production of its iPhone 11. It was a quiet night for new data. China remains closed on Holiday. India's central bank cut rates for a fifth straight time as it looks to jump start economic growth. Hong Kong manufacturing PMI came in strong at 41.5 vs 37 forecast. Australian retail sales were light in August.

European markets are basically flat this morning with the FTSE in the green. Most indices are on pace for their worst week in a year. Tech stocks showing some relative strength after the Apple report. **AMS**, **Infineon**, **ST Micro** and **Dialog Semi** all higher. Automakers were weak after a recall in Australia related to Takata airbags. **BMW** is down 2%. Shares of **LSE** rose 2% after some shareholders reportedly told **HKEX** to raise their bid. It was a quiet morning for EU data with nothing of note on the schedule.

## S&P TECHNICALS

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



4693 Advancing	Declining 2682
60.0%	34.3%
51 New High	New Low 222
18.7%	81.3%
2651 Above SMA50	Below 5088
34.3%	65.7%
2651 Above SMA50	Below 5088
34.3%	65.7%

**KEY EVENTS****Economic Data on Monday:** Neel Kashkari Speaks**Earnings BMO:** AZZ, DPZ, HELE**Earnings AMC:** LEVI**Analyst Meeting:** WVE**ANALYST ACTION/COMMENTS****Charter (CHTR)** upgraded to Overweight at Keybank**Hub Group (HUBG)** upgraded to Overweight at JP Morgan**Snap (SNAP)** upgraded to Neutral at MSCO**Boston Beer (SAM)** upgraded to Neutral at UBS**Rio Tinto (RIO)** upgraded to Buy at Investec**Tandem (TNDM)** upgraded to Buy at UBS**Whiting (WLL)** downgraded to Sell; **Range Resources (RRC), Continental (CLR)** downgraded to Neutral at CSFB**Ambarella (AMBA)** downgraded to Hold at Stifel**Janus (JHG)** downgraded to Sell at Keefe Bruyette**CSX Corp (CSX)** downgraded to Neutral at JP Morgan**Texas Roadhouse (TXRH)** cut to Neutral at Barclays**Echo Global (ECHO)** downgraded to Neutral at JP Morgan**Echostar (SATS)** downgraded to Neutral at Citi**Cyrus One (CONE)** downgraded to Neutral at Cowen**Insulet (PODD)** downgraded to Neutral at UBS**Dominos (DPZ)** initiated Outperform at Wedbush**Etsy (ETSY)** initiated Buy at Nomura**Marvell (MRVL)** initiated Buy at Stifel**Boot Barn (BOOT)** initiated Buy at Craig Hallum**Barrick (GOLD)** initiated Outperform at National Bank**Five Below (FIVE)** initiated Outperform at William Blair**Nike (NKE)** initiated Underperform at BNP Paribas**iRobot (IRBT)** price target lowered to \$64 from \$75 at Piper**Workday (WDAY)** pullback an opportunity ahead of analyst day, says Mizuho**MEDIA HIGHLIGHTS****WeWork (WE)** management tell staff that job cuts are coming soon - Bloomberg**MGM Resorts (MGM)** to pay up to \$800M to 2017 Vegas shooting victims - WSJU.S. rejects **Hawaiian Air's (HA)** antitrust request - WSJ**SoftBank** struggles to raise money for second Vision Fund - Reuters**Spirit AeroSystems (SPR)** seen as front-runner for Bombardier plants - Reuters**Taiwan Semi's (TSM)** 7nm process attracts orders for AI processors – DigiTimesScooter Giant **Bird** Raises \$275 Million – Bloomberg**Thomson Reuters (TRI)** buys events specialist firm FC Business Intelligence – Reuters**Apple (AAPL)** raises iPhone 11 production by 10% - NikkeiIs Pro Wrestling's Boom Too Good to Believe? Leader **WWE** May Be Vulnerable – WSJ

Traders Bolster Bets on Lower Fed Rates - WSJ

U.S banks seen getting an ease on regulations levied after crisis (**BAC, C, WFC, JPM**) – WSJ**STOCK SPECIFIC NEWS OF NOTE****Rattler (RTL), Oryx** in joint acquisition of Reliance Gathering for \$355M cash**Avaya (AVYA)** announces strategic partnership with **RingCentral (RNG)**; AVYA authorizes \$500M stock buyback**Accenture (ACN)** to acquire NytecCDC says number of vaping-related lung illnesses climbs to 1,080 (**MO, PM**)**Gol Linhas (GOL)** reports preliminary September traffic up 15.5%, capacity up 11%**HP Inc. (HPQ)** announceVs job cuts, FY20 guidance; authorizes \$5B buyback and dividend hike**BP** CEO to retire**Hess Midstream Partners (HESM)** acquires Hess Infrastructure Partners in \$6.2B deal**C&J Energy (CJ)** announces special cash dividend

**PRE-MARKET MOVERS**

**Moving Higher:** SNAP 2%, AAPL 1.2%

**Moving Lower:** DB -2%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** SPN, SGMS

**Selling:** VCEL, OXFD, SNX, HSY, PEG, NTGR, MORN, F, JCI, ROX, HSY, CHGG, FB

**POTENTIAL SYMPATHY TRADES**

**QCOM, MU, JBL, ADI, QCOM, STM, TXN** – on Apple production boost report

**TGT, WMT, DG, DLTR** – on COST earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Akamai (AKAM)** seeing 1800 November 1st (W) \$90 calls open \$4.05 to \$4.75 this morning, a name with 2500 November \$90 calls that opened after earnings in late July with some adjustment trades. AKAM is consolidating nicely under highs and showing impressive strength to Tech peers, a move above \$93 can start a run to \$100. The \$15B Company trades 19X Earnings and 5.35X Sales. AKAM will report on 10-28 and has plenty of Conferences in November/December. AKAM is seen to accelerate revenue growth to 7% in FY20 and EPS growth expected to remain double digits. AKAM recently announced a deal for KryptCo as it invests in its security unit with a multi-factor authentication company. AKAM's core business is internet content delivery but its cloud security unit has been posting impressive growth and boosting the overall margin profile of the company. Analysts have an average target of \$92 on shares and short interest at 5.6% of the float has risen 32% Q/Q. Keybank cut shares to Neutral noting valuation now reflects the anticipation of excitement for accelerating demand in CDN from new OTT video services from Comcast, Disney, Apple, and AT&T. They see potential for AKAM to make a larger security acquisition, and activity today comes after Fire-Eye announced plans for a sale yesterday, possibly a target. JPM has a \$106 target, positive on its deal for Exceda expanding its presence in Latin America. On 8/12 Piper named it a top Networking recession pick with secular drivers that can overcome a weakening macro and see positive market dynamics from streaming, online gaming, and cloud security. Hedge Fund ownership fell 4.3% in Q2 filings.

**AFTER HOURS MOVERS**

**Gainers:** AVYA 15%, RNG 6%

**Losers:** HPQ -6%, SGH -5%

**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**

**Heron (HRTX)** prices 8.57M secondary at \$17.50

**Grocery Outlet (GO)** prices 13M secondary at \$33.75

# 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>
McEwen (MUX)	CNX Resources (CNX)	Mallinckrodt (MNK)
Trupanion (TRUP)	Tivo (TIVO)	Sprint (S)
Centerpoint (CNP)	United Natural (UNFI)	Axsome (AXSM)
Sensata (ST)	Shutterstock (SSTK)	Gamestop (GME)
Cedar Fair (FUN)	Fortive (FTV)	Yeti (YETI)
Eldorado (ERI)	OpKo (OPK)	Fire-Eye (FEYE)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
DHT Holdings (DHT)	Autohome (ATHM)	Bed Bath (BBBY)
City Office (CIO)	Mirati (MRTX)	Mirati (MRTX)
Flexion (FLXN)	Amphenol (APH)	Amyris (AMRS)
Delphi (DLPH)	Allstate (ALL)	Meet Group (MEET)
Crocs (CROX)	EQT Corp (EQT)	Teva (TEVA)
SVMK (SVMK)	AerCap (AER)	Aphria (APHA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
MSG Networks (MSGN)	United Natural (UNFI)	PG&E (PCG)
Renewable Energy (REGI)	Nio (NIO)	Overstock (OSTK)
Biomarin (BMRN)	Berkshire (BRKB)	Gossamer (GOSS)
Smile Direct (SDC)	Schlumberger (SLB)	G1 Therapeutics (GTHX)
Ford Motor (F)	AK Steel (AKS)	Dova (DOVA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Barclays (BCS)	Tesla (TSLA)	Shutterstock (SSTK)
Ford Motor (F)	Fox (FOXA)	Fortive (FTV)
Coca Cola (KO)	Opko (OPK)	OpKo (OPK)
Microsoft (MSFT)	Advanced Micro (AMD)	Cedar Fair (FUN)
Nvidia (NVDA)	Nio (NIO)	Eldorado (ERI)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Alibaba (BABA)	Int'l Paper (IP)	MGM, 1000 November \$25/\$23 bull risk reversals
Sea (SE)	Kroger (KR)	CBS, 2,500 March \$37.50/\$32.50 bull risk reversals
Blackstone (BX)	Wabtec (WAB)	CROX, 1,500 November \$29/\$33 call spreads
Marathon (MPC)	Gap (GPS)	VAL, 2,000 January 2021 \$10/\$17 call spreads
Ascendis (ASND)	Bausch Health (BHC)	SIVB, 265 November \$210/\$230 call spreads

### Extras

**Southwest Air (LUV)** late buy 1000 November \$52.50 calls to open \$2.15 to \$2.20

**Electronic Arts (EA)** with 1400 October 11<sup>th</sup> (W) \$96 calls bought \$1.18 to \$1.24 late afternoon

**American International (AIG)** with another 3000 January \$57.50 calls bought late day near \$1.25 offer

**KKR (KKR)** opening buy of 1000 January \$27 calls \$3.20

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
COST	Costco	\$2.69	\$2.56	\$47,498.00	\$47,707.63	7.00%	
SGH	SMART Global	\$0.50	\$0.67	\$278.40	\$285.05	-25.60%	FY Below

**COST – Beat on EPS and Revenues** - In terms of comp sales as reported in the release, for the 16-week fourth quarter, reported U.S. was 6.2%. In terms of Q4 comp sales metrics, fourth quarter traffic or shopping frequency increased 3.7% worldwide and 3.6% in the U.S. Weakening foreign currencies relative to the U.S. dollar negatively impacted sales by about 60 basis points, gas price deflation was a negative 50 basis points, and rev rec benefited comp sales in the quarter by plus 110. So those three things together essentially zeroed out. Our average transaction or ticket during the fiscal quarter was up 1.4%, both with and without the impacts of gas, FX, and rev rec. In terms of renewal rates, at Q4 end, our U.S. and Canada membership renewal rate came in at 90.9%, up 0.2% from 90.7% as of the end of the last quarter. And worldwide, the renewal rate was 88.4%, up from 88.3% a quarter ago. Both of these figures at all-time highs.

### Insider Focus

**Ulta Beauty (ULTA)** with two sizable insider buys last week, 9-26, into weakness including a \$58.8M investment by Director Charles Heilbronn. CEO Mary Dillon also bought \$308K at \$237.17. Shares are down 25% this quarter and making a big round trip back to around 5% gains for the year. Shares have rallied in the last two weeks and pulling back here to the rising 8-EMA, ideal bounce spot for a short-term continuation. The \$14.65B company trades 19.3X earnings, 2X sales, and 44.5X cash with low-teens growth. ULTA cut their outlook in August noting that they had not been immune to industry-wide challenges in cosmetics. They cited lack of 'newness' and innovation in the space as weighing on traffic while rituals like contouring, liquid lip, palettes and minis had lost some of their initial luster. The company has a longer-term plan for new product launches and working with their exclusive partners for the 2H which they hope to re-engage the base however its likely a 2-3 quarter headwind. ULTA has a unique footing in the space as they launch out new products as well with a huge data set of guest feedback and their loyalty program which can give them a leading edge when the market turns higher again. Their member program has 33M active users and ULTA is using analytics to help make more personalized purchases as well as drive growth in overall sales per ticket. ULTA has seen strength in every other

category with skin care gaining market share. Analysts have an average target for shares of \$295 with 12 buy ratings and 11 hold. Goldman started shares at Neutral on Thursday with a \$276 PT. The firm thinks slowing revenue momentum could lead to operating dollar growth turning negative in Q3 and a stagnant 2020. UBS with a \$300 PT noting that while trends have slowed, ULTA has several levers to drive sales and cites its expected acceleration in comps in Q4 despite the more challenging compare from year ago. Short interest is 5.2% and near the high-end of its 3-year range. Hedge fund ownership fell 10% in Q2. Two Creeks Capital a top concentrated holder.