

**TOP STORIES**

- US Blacklists 28 Chinese Tech Organizations Over Human Rights Abuses
- China Signals It Will Hit Back Over US Tech Blacklist
- Samsung Sees Q3 Above Forecasts
- German Industrial Production Rebounds in August but Recession Fears Linger

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2917 (-20.50)</b>	<b>-21.39</b>
<b>Nasdaq</b>	<b>7682.75 (-57.25)</b>	<b>-57.38</b>
<b>Dow</b>	<b>26248 (-191)</b>	<b>-190.02</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7174.11</b>	<b>-0.33%</b>
<b>DAX</b>	<b>11944.61</b>	<b>-1.26%</b>
<b>Nikkei</b>	<b>21587.78</b>	<b>0.99%</b>
<b>Hang Seng</b>	<b>25893.4</b>	<b>0.28%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>PPI-FD</b>	
<b>1:35</b>	<b>Charles Evans Speaks</b>	
<b>1:50</b>	<b>Jerome Powell Speaks</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.0989 (0.17%)</b>
<b>USD/JPY</b>	<b>106.84 (-0.41%)</b>
<b>USD/CAD</b>	<b>1.3322 (0.11%)</b>
<b>GBP/USD</b>	<b>1.222 (-0.57%)</b>

**COMMODITY**

<b>Oil</b>	<b>52.19 (-1.06%)</b>
<b>Natural Gas</b>	<b>2.315 (0.52%)</b>
<b>Gold</b>	<b>1510.2 (0.39%)</b>
<b>Copper</b>	<b>2.5685 (-0.33%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>17.63 (3.46%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>21.37 (5.58%)</b>
<b>Oil</b>	<b>OVX</b>	<b>39.16 (-0.40%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>15.45 (1.25%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning with the US adding more tech firms to the export blacklist and ratcheting up tensions ahead of talks later this week. Expectations remain skewed towards 'no changes' to status quo but rather they'll continue with positive language which suggests a truce later. The odds of an outright framework for a deal or breaking off of talks are lower but obviously weighing on sentiment. Jay Powell speaks later today (~1:50 PM) with a focus on whether he's as dovish as the market hopes he'll be towards an October cut. But, ultimately, don't think Powell is as big of a deal as China talks this week. In the UK, PM Johnson continues to push for a new Brexit deal but odds are slim with Angela Merkel saying a renegotiation at this late of stage is basically impossible. Oil is under some pressure today, down 115 bps.

Asian markets are broadly higher this morning ahead of the US/China talks later this week. Mainland China traded for the first time in a week+ after Golden Week. Reports yesterday morning suggested that GW retail sales were better than consensus while Macau was a little below (**MGM, LVS, MLCO, WYNN**). Tech-giant **Samsung** was higher by 2.5% in Korea after a positive update on Q3. Semis in Tokyo rallied with **Sumco** up 3.8%, **Advantest** up 4.4%, and **Screen Holdings** up 3.7%. China services PMI came in light at 51.3 vs 52.1. Japanese household spending was weaker than expected in August (2.4% vs 2.8%).

European markets are down early with the DAX trading lower steadily all morning and now off by 120 bps. Autos and retail are laggards while tech is outperforming due to the positive update from **Samsung**. **Airbus** is higher by 2% after positive update on orders. Both **Ericsson** and **Nokia** are modestly higher with an FT report that the US will favor the two to help build a competitor to **Huawei**. **Qiagen** is lower after warning on Q3 due to China. **PageGroup** is lower by 12% after warning on Q3. **LSE** is lower by 5% after **HKEX** pulled their takeover bid, although this was largely expected. German industrial production was up 0.3% in August, a slight surprise vs consensus of -0.2%. Swiss unemployment fell to 2.1% in September vs 2.2%. Italian retail sales were weak while Spanish industrial data came in slightly better.

**S&P TECHNICALS**

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



3159 Advancing	Declining 4205
40.2%	53.6%
99 New High	New Low 106
48.3%	51.7%
3357 Above SMA50	Below 4404
43.3%	56.7%
3766 Above SMA200	Below 3995
48.5%	51.5%

**KEY EVENTS****Earnings After the Close:** LEVI**Analyst Days:** GBT, FEYE**Tomorrow...** JOLTs at 10:00 AM, EIA Petroleum at 10:30, Jerome Powell Speaks at 11:00, Esther George Speaks at 11:00, FOMC Minutes at 2:00**ANALYST ACTION/COMMENTS****Microsoft (MSFT)** upgraded to Buy at Jefferies**Nordic American (NAT)** upgraded to Buy at BTIG**NextEra (NEP)** upgraded to Overweight at Barclays**ServiceMaster (SERV)** upgraded to Outperform at RBC**Tencent Music (TME)** upgraded to Buy at China Ren.**Oracle (ORCL)** downgraded to Hold at Jefferies**Carbonite (CARB)** downgraded to Hold at Jefferies**Check Point (CHKP)** downgraded to Hold at Jefferies**Qiagen (QGEN)** downgraded to Sell at JP Morgan**Taubman (TCO)** downgraded to Neutral at JP Morgan**Ally (ALLY)** downgraded to Neutral at JP Morgan**Terra Form (TERP)** downgraded to Neutral at Barclays**Nektar (NKTR), Puma Bio (PBYI)** downgraded to Sell at Goldman Sachs**Helmerich (HP), Patterson (PTEN)** downgraded to Neutral at BAML ; **Nine Energy (NINE), FTS Int'l (FTSI)** to Sell**JB Hunt (JBHT)** downgraded to Neutral at SIG**Apache (APA)** downgraded to Neutral at MUFG**United Rentals (URI)** downgraded to Neutral at UBS**Tyler (TYL)** initiated Outperform at Oppenheimer**Archer Daniels (ADM)** initiated Overweight at StephensBMO starting **KKR, APO, VCTR** at Buy, **IVZ, BX, BLK, TROW, CG, ARES** at Neutral; **BEN** at UnderperformRaymond James starting **FND, TGT, AZO, BBY, TSCO, HD** at Buy, **LOW, ORLY, GPC, AAP** at NeutralJefferies starting **DBX, CRM, SMAR, SWI, SPLK, UPLD, VRNS, VMW** at Buy; **WDAY** at Hold**Cloudflare (NET)** initiated Outperform at RBC**MEDIA HIGHLIGHTS****HKEX** has dropped is \$36.4B bid for **LSE** – BloombergU.S. Blacklists China's **Hikvision**, 7 Others on Rights Violations (neg. **AMBA**) – Bloomberg**Celanese (CE)** to Consider Breakup – BloombergState regulator says high fees for food-delivery could be illegal (neg. **GRUB, UBER**) – NY Post

Enduring oil weakness raises prospect of Saudi Arabia-led output cuts – FT

Battle for **PG&E (PCG)** Hinges on Rival Plans and Uncertain Costs – NYT**CEL-SCI (CVM)** mislead investors repeatedly about cancer drug – STAT News**Walgreens (WBA)** to end sale of e-cigarettes – Bloomberg**Nissan** board to meet over new CEO - Bloomberg**Petrobras (PBR)** postpones oil refinery sale process until next month – Bloomberg**Intel (INTC)** CEO says output of 14nm chips to increase significantly in second half – Bloomberg**Facebook (FB)** reaches \$40M proposed settlement in video metrics lawsuit – WSJ**Apple (AAPL)** could outpace **Huawei** in smartphone shipments in Q4 - DigiTimes**Boeing's (BA)** move to return 737 MAX jets to service hits a new snag – WSJUS pushes for western rival to Huawei (**NOK, ERIC**) – FT**STOCK SPECIFIC NEWS OF NOTE****Illumina (ILMN), Qiagen (QGEN)** to partner on sequencing-based IVD tests**Qiagen (QGEN)** CEO to step down; Q3 weak due to China**Starling National (STL)** to acquire \$843M in loans, leases from **Santander (SAN)****Hawaiian Air (HA)** Sept. traffic up 3%, capacity up 0.7%**Int'l Game (IGT)** signs 5-year deal with Oregon lottery**Aptar (ATR)** acquires 49% stake in BTY**Samsung** says Q3 profit above estimates**Gilead (GILD)** submits NDA for filgotinib in Japan**NIO (NIO)** reports Q3 deliveries up 35.1%, better than exp.

**PRE-MARKET MOVERS**

**Moving Higher:**

**Moving Lower:** QGEN -19.3%, AMBA -10.7%, DB -3%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** RRR, THC, AGO, IMMU, HOME

**Selling:** FNF, EXLE, DLTR, HRL, ACIA, SAM, MKL, NEWR, RMD, AINC

**POTENTIAL SYMPATHY TRADES**

**PZZA, YUM** – on DPZ earnings

**OPTION HIGHLIGHTS (Prior Day)**

**American Int'l Group (AIG)** with buyers today of 1240 January 2021 \$55 calls \$5.45 to \$5.55 and follows over 5,000 January 2020 \$57.50 calls bought last week, a spot where 8200 sit. AIG has also seen buyers in the May \$50 calls and October \$55 calls while the November \$60 calls sit in OI over 10,000X from 9-10. Shares are back near the September lows and just above the 200-EMA as it continues to consolidate in a six-point range under \$58. The 20-week EMA remains support and a continuation of the run from the 2018 lows targets \$65 and a big VPOC from 2017. The \$47.7B insurer trades 10.5X earnings, 0.97X sales, and 0.74X book with a 2.35% yield. AIG is targeting double-digit EPS growth in FY21 as well as double-digit ROE as it looks to close the valuation gap with peers. AIG has been a turnaround story over the last 18 months after a new CEO was appointed who targeted more underwriting in GI as well as investing more in tech which will help them manage risk better. He also continues to position AIG in a more aggressive manner noting on 9-11 at the Barclays conference the company will likely bypass a buyback to focus more on reinvesting. He also noted the company could look at acquisitions. Analysts have an average target for shares of \$58. RBC raising their PT to \$68 in August behind strong earnings growth and standout margin improvement. They also think AIG's pricing trends in P&C are gaining strength. Short interest is 1.7%. Hedge Fund ownership fell 2.85% in Q2. Harris Associates, Diamond Hill, and Viking Global notable buyers. AIG saw a number of smaller insider buys back in 2018 around current levels with a director adding \$250K at \$52.06.

**AFTER HOURS MOVERS**

**Gainers:** CE 2.3%

**Losers:** AMBA -9.9%, QGEN -8%, CVM -3%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.688	Rising – Cautious
CBOE Index Put/Call Ratio	1.29	Rising – Cautious
CBOE Skew Index	114.54	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	32	Fear
NYMO	-16.29	Neutral
NYSE New Highs – New Lows	65.99	Neutral
McClellan Summation	555.89	Below 8-EMA
Univ. of Michigan Consumer Sentiment	93.2 (September)	-6.9%

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

**IPO MONITOR**

Two clinical-stage biotech companies will debut **VIR, BNTX**

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

### POOL:



**Pool Corp (POOL)** shares are nearing a multi-week bull flag breakout above \$202.50 with a measured move out to \$225. POOL has been in a strong uptrend and one of the more consistent names of the year. Both RSI and MACD remain in strong trends but not yet overbought.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Idexx Corp (IDXX)

**Price:** \$276.50

**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:** IDXX is a \$23.85B leader in the veterinary services market. They focus on diagnostic services like rapid assay kits and POC products for both livestock and companion animals. The usage of diagnostics continues to grow in the animal space although relatively small still (17% penetration) and IDXX remains positioned well to take advantage. Preventative care especially stands out as a big growth area.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

### CTRP:



**Ctrip.com (CTRP)** shares have rebounded into the recent breakdown level and vulnerable to downside under \$28.50. A move lower has channel target near \$25 which aligns with the December lows.

## PAIR TRADE OF THE WEEK

**Industry:** Apparel

**Long/Short:** Long **Guess? (GES)** and short **Gap (GPS)**

**Analysis:** GES is coming off a strong quarter with its DTC business improving and a strong inventory position into the Holidays. GES is also seeing better margin performance than peers. GPS's core business remains challenged while their spin off plans and aggressive restructuring will weigh. GPS could be a prime candidate for heavy discounting.

## SMALL CAP TRADE OF THE WEEK

**M/I Homes (MHO)** is a \$1.05B builder of single-family homes in the mid-west and South. Shares trade cheap at 8.65X earnings and 0.44X sales with new contracts rising 6% last quarter and a modest backlog. MHO has been strong in two key areas which are thriving in housing: low-cost single family and first-time buyers and would make for an attractive deal target given that exposure.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
InterDigital (IDCC)	Nu Skin (NUS)	Eros (EROS)
Equitrans (ETRN)	Canadian Pacific (CP)	Etsy (ETSY)
ST Micro ((STM)	Air Transport (ATSG)	Gamestop (GME)
Analog Devices (ADI)	Autohome (ATHM)	Tandem (TNDM)
Flexion (FLXN)	Turkey (TUR)	Century Link (CTL)
Ambac (AMBC)	Transocean (RIG)	Monster (MNST)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Carrols (TAST)	Enova (ENVA)	Hecla (HL)
Bunge (BG)	Canadian Pacific (CP)	McDermott (MDR)
Vistra Energy (VST)	Autohome (ATHM)	Cel-Sci (CVM)
Tata Motors (TTM)	Zions Bancorp (ZION)	Endo (ENDP)
Vera Bradley (VRA)	Murphy (MUR)	JC Penney (JCP)
Cameco (CCJ)	Helmerich (HP)	Axsome (AXSM)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Frontline (FRO)	Transocean (RIG)	Axsome (AXSM)
Overstock (OSTK)	Opko Health (OPK)	PG&E (PCG)
Blackberry (BB)	Match (MTCH)	Overstock (OSTK)
IQIYI (IQ)	Silver (SLV)	Gossamer (GOSS)
Snap (SNAP)	PG&E (PCG)	Wave Life (WVE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
AT&T (T)	Transocean (RIG)	ST Micro ((STM)
Apple (AAPL)	Halliburton (HAL)	Canadian Pacific (CP)
Microsoft (MSFT)	Wynn (WYNN)	Air Transport (ATSG)
Fire-Eye (FEYE)	Intel (INTC)	Autohome (ATHM)
Match (MTCH)	Jet Blue (JBLU)	Turkey (TUR)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Ring Central (RNG)	Spotify (SPOT)	DIS, 1000 June 2020 \$130/\$165 call spreads
Analog Devices (ADI)	Philip Morris (PM)	PTON, January \$20/\$15 put spread 2,500X7,500
World Wrestling (WWE)	Kemet (KEM)	DLR, 500 April \$125/\$105 put spreads
ST Micro (STM)	Macys (M)	APLS, 500 December / January \$25 call calendar spreads
MasTec (MTZ)	Hormel (HRL)	ADI, 1000 November \$115/\$120 call spreads

## Stock Specific News

China Halts NBA broadcasts amid mounting anger over HK tweet (neg. **NKE, UAA**) – Bloomberg

China Oil Imports From Ship-to-Ship Transfers Surge in September – Bloomberg

75% of **Sunrise** Shareholders Are Positive About UPC Deal (**LBTYA, VOD**) – Bloomberg

**Genor Biopharma** is seeking a \$1B valuation – Bloomberg

**Cellnex** to Buy **Arqiva's** Telecom Towers in \$2.5 Billion Deal – Bloomberg

**Shiseido** Inks \$845 Million Deal for Skincare Firm **Drunk Elephant** – Bloomberg

**Easyjet** says profits are at high-end of forecasts – Bloomberg

**VF Corp (VFC), Tiffany (TIF), Blizzard (ATVI)** tread warily around China, Hong Kong protests – Reuters

Pickup in Lending Won't Save Banks From Tough Quarter – WSJ

Australian tourism company **Sealink** will acquire Bus operator **Transit Systems** for \$428M – Reuters

Advertising company **S4 Capital's** digital unit will merge with **Firewood** – Reuters

**DPZ** – Missed EPS and Revenues at \$2.05 vs \$2.08 and \$820.81M vs \$827.23M

**HELE** – Beat on EPS and Revenues at \$2.24 vs \$1.96 and \$414M vs \$390.55

**TripAdvisor (TRIP)** says TripAdvisor Connect has launched on Facebook

**MarketAxess (MKTX)** reports over \$131B of Emerging Markets debt traded in Q3, up 51% Y/Y

## Extras

**BioHaven (BHVN)** weak into the close with 1000 January \$40 puts bought \$6.30 to \$6.50

**B&G Foods (BGS)** buyers of the February \$15 puts today, 1000X for \$1.15 to \$1.20

**Stemline (STML)** with 1,085 November \$10 puts bought on the day up to \$1.65, expecting a number of program updates in the 2H

**Planet Fitness (PLNT)** closed weak with 1,750 October \$57.5 puts bought against the \$55 puts

**Hertz (HTZ)** with 4000 November \$13 puts sold to open into the close \$1.35 to \$1.25

**Intel-Sat (I)** with a lot of bullish flow recently including yesterday when 2,000 November \$21 synthetic long spreads rolled up to the \$24 strike. I has recently seen buyers in the December \$26 calls, November \$26 calls, and December \$25 calls in size. Shares moved strong in September out of a four-month consolidation and pulling back recently to re-test the breakout zone at \$22. Shares are back above their 8- and 20-MA with a move above \$25.35 setting up for a measured move to \$28 and then \$32. The \$3.34B company trades 1.58X sales and 4X cash. Intelsat provides communications services for media companies, telecom, ISPs, and satellite services for both commercial and government use. Intelsat is not profitable but instead an event-driven trade ahead of a potential opening of the C-band spectrum for mobile services. Intelsat is part of a group which is lobbying to auction off 200 and 300 mhz spectrum to

those companies for use in 5G operations. The 3.7-4.2 GHz band will give 5G better bandwidth and coverage than current options. Intelsat owns a very significant percentage of this range. Analysts have an average target for shares of \$31. JPM raising their PT to \$32 from \$27 on 9-19. The firm thinks the FCC and C-Band Alliance are working toward a November order that would include 300 MHz. The analyst estimates ~\$26B of total proceeds across 280 MHz and the market is now underpricing the likelihood of Intelsat and the CBA's eventually selling spectrum and "reaping substantial proceeds." Hedge fund ownership fell 7% in Q2. Discovery Capital, Pointstate Capital, Kerrisdale Advisers, and Pentwater notable holders.