

MARKET BLITZ – November 15th, 2019

Prepared Exclusively by alex@optionshawk.com

TOP STORIES

- Larry Kudlow says U.S. near trade agreement with China
- Hong Kong Cuts GDP Forecast After Abrupt Deterioration in Q3
- OPEC Cuts U.S. Oil Output Growth Forecast

INDEX FUTURES

| Futures | Change | Fair Value |
|--------------------|-----------------------|--------------|
| S&P 500 | 3103.75 (6.75) | 8.12 |
| Nasdaq | 8292 (26.5) | 28.17 |
| Dow | 27812 (66) | 68.04 |

GLOBAL INDICES

| INDEX | CLOSE | CHANGE |
|------------------|-----------------|---------------|
| FTSE | 7251.12 | -0.57% |
| DAX | 13188.59 | 0.06% |
| Nikkei | 23303.32 | 0.70% |
| Hang Seng | 26326.66 | 0.01% |

ECONOMIC CALENDAR

| TIME | INDICATOR | CONSENSUS |
|-------|-----------------------|-------------|
| 8:30 | Retail Sales | 0.2% |
| 8:30 | Empire State Mfg. | 5.0 |
| 8:30 | Import/Export Prices | -0.2%/-0.1% |
| 9:14 | Industrial Production | -0.4% |
| 10:00 | Business Inventories | 0.1% |

FOREX

| | |
|---------|-----------------|
| EUR/USD | 1.1027 (0.05%) |
| USD/JPY | 108.71 (0.30%) |
| USD/CAD | 1.3237 (-0.06%) |
| GBP/USD | 1.2878 (-0.02%) |

COMMODITY

| | |
|-------------|----------------|
| Oil | 56.63 (-0.25%) |
| Natural Gas | 2.644 (-0.11%) |
| Gold | 1467 (-0.43%) |
| Copper | 2.63 (0.32%) |

VOLATILITY INDICES

| INDEX | SYMBOL | CLOSE |
|----------------|------------|-----------------------|
| S&P | VIX | 13.01 (0.07%) |
| Nasdaq | VXN | 15.84 (-2.46%) |
| Oil | OVX | 34.44 (-2.02%) |
| Gold | GVZ | 11.83 (2.34%) |

MARKET OUTLOOK

Futures are indicating a higher open for the morning with positive comments from Larry Kudlow boosting sentiment. The WH advisor was quoted as saying that US/China talks are near a deal but Trump is not ready to sign off. There wasn't anything substantial in the WSJ piece but enough to give the markets a boost (even though Kudlow has been quoted as saying the two sides were close multiple times over the last year). Sec. Ross was on CNBC this morning and said the two sides will hold a call today on trade. Talks remain focused on ag purchases.

Asian markets closed the week green with Japanese shares bouncing back on the Kudlow headlines. **Japan Post** up 6% after strong earnings that helped temper fears of a sales scandal earlier this year. **Line** down 5% giving back some of yesterday's gains on the merger talk.

European markets are mixed this morning with the FTSE lagging down around 60 bps. The Stoxx 600 is on pace for its sixth week of gains. Miners led all groups while semis were slightly bid after the AMAT quarter. **Orange** up 2.5% after reports it will split its mobile towers into a new co. **Saipem** up 2% after a Bloomberg report that it was considering a merger with peer **Subsea 7**. Sweden's **SEB** down 14% after concerns over money laundering. Software company **Simcorp** up 4% on strong earnings. Swedish radiation therapy company **Elekta** down 12% on an earnings warning.

It was a quiet night for **economic data**. Japanese industrial production better than expected at 1.7% vs 1.4%. Eurozone CPI was in line at 0.7% with September revised down slightly. Hong Kong GDP was in line at -2.9% as forecast. Italian CPI slightly lower at 0.2% vs 0.3%.

S&P TECHNICALS

Levels: Support 3000/2950; Resistance 3,100/3,150



KEY EVENTS

Economic Data on Monday: Housing Market Index, Loretta Mester Speaks

Earnings BMO: LX, MANU, QD

Earnings AMC: CRMT, ASH, BILI, KRNT, WWD, ZTO

Other notables next week: Flash PMIs, FOMC and ECB Minutes, Democratic Debate on Wed. Earnings (HD, MDT, TJX, URBN, LOW, PDD, TGT, JACK, LB, NTES, NUAN, SONO, PLAN, BERY, BJ, M, GPS, INTU, JWN, POST, PSTG, ROST, SPLK, FL, SJM, HIBB)

ANALYST ACTION/COMMENTS

Fortinet (FTNT) upgraded to Neutral at CSFB

Grub Hub (GRUB) upgraded to Buy at Barclays

Qualcomm (QCOM) upgraded to Buy at Mizuho

Applied Materials (AMAT) upgraded to Buy at Nomura

BioCryst (BCRX) upgraded to Buy at BAML

Baker Hughes (BKR) upgraded to Positive at SIG

Aurora (ACB) upgraded to Buy at Cantor

Centerpoint (CNP) downgraded to Neutral at CSFB

Agco (AGCO) downgraded to Neutral at JP Morgan

Mitek (MITK) downgraded to Neutral at Roth Capital

Gulfport (GPOR) downgraded to Hold at Sun Trust

Stifel starting **EXAS, PKI, NSTG, TECH, RGEN, ILMN, TMO** at Buy, **A, BRKR, DHR, QGEN, AVTR, WAT** at Neutral

Paysign (PAYS) initiated Buy at DA Davidson

Avid Tech (AVID) initiated Buy at B Riley

Wabtec (WAB) initiated Overweight at Atlantic

Live Person (LPSN) initiated Buy at William Blair

Piper Jaffray sees data governance as looming risk for **Iqvia (IQV)**

Apple (AAPL) PT raised to \$290 from \$270 at Piper Jaffray

Citi makes **Freeport McMoRan (FCX)** top pick in copper

LPL Financial (LPLA) price target raised to Street-high \$110 at Citi

MEDIA HIGHLIGHTS

Amazon (AMZN) says Pentagon's JEDI process had 'unmistakable bias' - CNBC

Orange SA (ORAN) preparing to split mobile towers into separate company - FT

Netflix's (NFLX) head of content: 'Nothing has changed' with Disney+ launch - WSJ

Under Armour (UAA) pushed early shipments to stay on growth streak - WSJ

Italy's **Saipem** to Consider Combining With Rival **Subsea 7** - Bloomberg

TSMC (TSM) plan capacity expansion in China - Digitimes

Maersk Sees Bleaker Industry Outlook Amid Global Trade Wars - Bloomberg

Dollar Tree (DLTR) Gets FDA Warning for Potentially Dangerous Drugs - Bloomberg

Biden unveils \$1.3T infrastructure plan - The Hill

City Council eyeing big blow to **Grubhub (GRUB)**, **Doordash** and others - NY Post

Mediaset could raise **ProSieben** stake to 20%, doesn't plan tender offer - Reuters

Argentina's lithium producers hopeful as Fernandez set to take power (**ALB**) - Reuters

Recent breakthroughs in fast-food market are small victories in tough market (**QSR, MCD**) - WSJ

Fortress raising bid for Japan's **Unizo** - Reuters

US AG Barr says **Huawei** 'can't be trusted' - Reuters

STOCK SPECIFIC NEWS OF NOTE

Alaska Air (ALK) reports combined October traffic up 3.4%

Warren Buffet's Berkshire Hathaway takes stake in **RH, Occidental (OXY)**

Nike (NKE) raises quarterly dividend

BeiGene (BGNE) says FDA grants accelerated approval for BRUKINSA

Crescent Point Energy (CPG) to sell Saskatchewan gas infrastructure assets for \$500M

Rolls-Royce awarded \$1.21B Navy contract

FDA panel said to vote 16-0 to support efficacy claim of **Amarin's (AMRN)** Vascepa

PRE-MARKET MOVERS

Moving Higher: AMRN 5.5%, JD 4.7%, QCOM 1.7%

Moving Lower: SBGL -1%

INSIDER TRADING (Form 4 Filings)

Buying: HCI, NICK, NOVA, UBER, PBF

Selling: CARG, PCTY, LAUR, MRVL, IPHI, HSY, EVER, WAT, KOP, MMM, SNX, MTD

POTENTIAL SYMPATHY TRADES

BABA, ZTO, PDD – on JD earnings

OPTION HIGHLIGHTS (Prior Day)

Gentex (GNTX) trading 100X average calls within the first 40 minutes of trading with buyers of nearly 10,000 December \$30 calls up to \$0.50 and also 2,750 March \$30 calls for \$1.30 to \$1.35. IV30 is up 20% on the morning and the name has no other notable open interest. Shares have been in a strong trend higher all year and pulling back yesterday to the rising 20-day MA with the 52-week highs just above at \$29.50. The recent range targets a move higher to \$34+. The \$7.19B auto parts company trades 15.85X earnings, 3.85X sales, and 15.4X cash with a 1.6% yield. The company is targeting mid-single digit EPS growth and revenues up 4%, both notable improvements from 2019. GNTX focuses on safety and tech products for automobiles including auto-dimming mirrors. They are well positioned for growth of next-gen autos with reach into software, advanced vision systems, and micro-electronics with a massive IP position especially around autonomous. They see connected cars as a big driver going forward with their HomeLink platform offering cloud functionality to provide car-to-home and car-to-infrastructure solutions. Short interest is 2.6% and down significantly from its 2016 highs. Hedge fund ownership rose 3.2% in Q2. Seven Eight Capital, Cipher Capital, and Nitorum Capital notable buyers. GNTX saw a number of small insider buys in late September from management. Analysts have an average target for shares of \$27. Guggenheim starting at Buy with a \$29 PT on 10-15 seeing upside in 2020 due to stronger gross margins and visibility for continued above market growth.

AFTER HOURS MOVERS

Gainers: FTCH 21%, RH 7%, AMAT 4%, VKTX 3.9%, NVTA 3.5%, BGNE 3.4%, OXY 2.3%

Losers:

MARKET SENTIMENT / INTERNALS

| INDICATOR | READING | SIGNAL |
|--------------------------------------|------------------------|-----------------------|
| CBOE Equity Put/Call Ratio | 0.65 | Falling |
| CBOE Index Put/Call Ratio | 1.33 | Elevated – Cautious |
| CBOE Skew Index | 126.88 | Elevated |
| VIX Curve | Contango | Normal |
| CNN Fear & Greed Index | 91 | Extreme Greed |
| NYMO | -6 | Neutral |
| NYSE New Highs | 107 | Strong but Below July |
| McClellan Summation | 731.66 | Above 8-EMA |
| Univ. of Michigan Consumer Sentiment | 95.5 (September Final) | Fading |

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

Floor & Décor (FND) 7.1M block trade priced \$44.25

Shockwave (SWAV) 2.48M secondary priced \$36.25

NextCure (NXTC) 4.1M secondary priced \$36.75

TRADE

WEEKLY TECHNICAL BREAKOUT

ACAD:



Acadia (ACAD) shares consolidating in a multi-week range under \$44.50 with a pending MACD crossover and RSI remaining strong. A move higher targets \$55 and continuation of the near- and long-term trend.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Euronet (EEFT)

Price: \$147.5

Valuation: Undervalued

Key Ratios:

| | Fwd. PE | P/S | P/B | EV / EBITDA | P/FCF |
|----------------------|--------------|-------------|-------------|--------------|--------------|
| Stock | 27X | 3X | 5.5X | 15.1X | 18.5X |
| Industry Avg. | 31.1X | 7.5X | 9.2X | 18.8X | 29.3X |

Analysis: Euronet (EEFT) is a \$7.99b provider of business services for the financial industry including ATMs across Europe and India, integrated payments cloud and Money Transfer. EEFT is seeing solid growth across all of their business units and could pursue accretive M&A given their solid balance sheet.

IDEAS



Diageo (DEO) shares are back near multi-week lows and consolidating in a narrow range with a breakdown under Friday's lows at \$158 triggering more downside. Shares have a measured target to \$151 with RSI not yet oversold and MACD with a bear crossover.

PAIR TRADE OF THE WEEK

Industry: Retail

Long/Short: Long **TJX Co (TJX)**, Short **Kohls (KSS)**

Analysis: TJX is showing relative strength as it continues to gain share from traditional department stores. Recent checks bode well for next quarter with better assortments and traffic trends. KSS faces headwinds from their Amazon return partnership that is likely to drive higher costs and lower margins.

SMALL CAP TRADE OF THE WEEK

McGrath RentCorp (MGRC) is a \$1.82B B2B rental company focusing on modular buildings, portable storage containers, electronic test equipment, and liquid and solid containment tanks and boxes. Shares trade cheap at 18.5X earnings with double-digit growth and a 2% yield. They're seeing strength in demand for all segments with Educational (modular classrooms) up over 40% last quarter.

DAILY OPTIONS REPORT

Unusual Call Activity

Gentex (GNTX)
Southern (SO)
Phillips 66 (PSX)
Huntington (HII)
Simply Good (SMPL)
UPS

Unusual Put Activity

Centerpoint (CNP)
Farfetch (FTCH)
Apellis (APLS)
Intel-Sat (I)
Monster Bev (MNST)
Beigene (BGNE)

Implied Volatility Riser

Foamix (FOMX)
McDermott (MDR)
Intra-Cellular (ITCI)
Aurinia (AUPH)
Aurora (ACB)
Party City (PRTY)

Lowest Put/Call Ratio

Foamix (FOMX)
Switch (SWCH)
Halozyme (HALO)
Wyndham (WYND)
Gentex (GNTX)
Caesars (CZR)

Highest Put/Call Ratio

Cincinnati Bell (CBB)
USANA Health (USNA)
UBS
PetIq (PETQ)
Sogou (SOGO)
Norton (NLOK)

Implied Volatility Decliner

Netapp (NTAP)
Dillard (DDS)
PG&E (PCG)
Int'l Game Tech (IGT)
Boston Sci (BSX)
Wix (WIX)

OTM Calls on Offer

Diplomat (DPLO)
Taiwan Semi (TSM)
Silver (SLV)
Freeport (FCX)
Farfetch (FTCH)

OTM Puts on Offer

Mallinckrodt (MNK)
Ford (F)
Macys (M)
NetApp (NTAP)
PG&E (PCG)

Elevated IV30

Wave Life (WVE)
Intel-Sat (I)
Axsome (AXSM)
Sage Therapeutic (SAGE)
Epizyme (EPZM)

Positive Net Delta

Roku (ROKU)
Microsoft (MSFT)
AMD
Slack (WORK)
Netflix (NFLX)

Negative Net Delta

Uber (UBER)
Canopy (CGC)
Walmart (WMT)
Intel-Sat (I)
Lyft (LYFT)

Option Volume Gainers (%)

Intel-Sat (I)
Monster Bev (MNST)
Beigene (BGNE)
Simply Good (SMPL)
UPS

Bullish Call Flow

Bed Bath (BBBY)
Gilead (GILD)
Alibaba (BABA)
Canadian Solar (CSIQ)
Lyft (LYFT)

Bearish Put Flow

Apellis (APLS)
Travelers (TRV)
Casa Systems (CASA)
Dillards (DDS)
Uniti (UNIT)

Large Spread Trades

RETA, 2,500 May \$250/\$300 call spreads
TTWO, March \$125/\$95 put spread today 600X1,200
MS, April \$45/\$39 put spread 3,075X6,150
BIIB, December \$270/\$235 put spread being bought 2,500X
BGNE, 1,000 December \$190/\$160 put spreads

News Continued

Roche to acquire Promedior for \$390M

ArcelorMittal (MT) secures approval to close \$5.8B **Essar Steel** deal – Bloomberg

China sales of new energy cars down in October (**NIO**) – Digitimes

Jazz Pharmaceuticals (JAZZ) receives positive CHMP opinion

Noble Energy (NBL) sells onshore assets to **Noble Midstream (NBLX)** for \$1.6B in cash, stock

resTORbio (TORC) says Phase 3 PROTECTOR 1 trial of RTB101 did not meet primary endpoint

Extras

S&P (SPY) buyer of the December 13th (W) \$287.50/\$277.50/\$267.50 put butterfly spread bought 25,000X50,000 today for \$0.16

Nasdaq (QQQ) buyer of the Dec. 27th (W) \$195/\$185 put spread 10,000X for \$1.29

USANA Health (USNA) buyers late of 2,000 January \$70 puts for \$3.90, name that has warned in the past and concerns about their China MLM business

Yandex (YNDX) with buyers late of the May \$40 calls, over 4000X up to \$1.65

Aarons (AAN) buyer of the Dec. \$60/\$65 call spread 3,000X6,000 for \$0.30 net debit

AIG buyers of 2500 December \$55 calls for \$0.81 to \$0.85

ConAgra (CAG) with a buyer of 7,000 January \$28 puts for \$1.29

Corning (GLW) with 1,400 ITM February \$32 puts sold to open for \$3.50 to \$3.45

Michaels (MIK) late day buyers of 5,200 December \$10 puts for \$1.95 to \$2

Micron (MU) with 2,500 January 2021 \$47 puts sold to open for \$8.20 in a stock replacement

NanoString (NSTG) late day buyers of 1500 January \$25 calls for \$1.95

Qiagen (QGEN) buyers this afternoon of 640 December \$37 calls for \$2.20 to \$2.45 with talks of a sale to **ThermoFisher (TMO)**

Extended Stay (STAY) late day buyers of 3,000 January \$15 calls up to \$0.47

Open Interest Checks

CPRT – May \$85 Calls from 614 to 755

GOOS – April \$40 Calls from 722 to 1,435

MSI – Jan. \$165 Calls from 449 to 932

NNN – Dec. \$55 Puts from 2,570 to 3,602

CRWD – Jan. \$60 calls from 1,069 to 1,916

MRTX – Dec. \$145 Calls from 2,096 to 3,100

HALO – Dec. \$18 Calls from 2,092 to 1,474

BSX – Dec. \$42 Calls from 2,164 to 3,326

EVRG – Dec. \$65 Calls from 3,257 to 4,951

BJRI – Dec. \$45 Calls from 2,364 to 3,192

IOVA – Dec. \$20 Calls from 4,370 to 2,500

GPC – Dec. 6th (W) \$106 Calls from 5,292 to 4,163

DELL – Jan. \$52.50 Calls from 10,737 to 6,471

BHC – Jan. \$28 Calls from 8,589 to 9,805

TIF – Dec. \$130 Calls from 9,297 to 11,861

BABA – Jan. \$185 Calls from 13,968 to 19,556

TSN – Jan. \$95 Calls from 2,503 to 6,527

Earnings

| Ticker | Company | EPS Actual | EPS Estimate | Revs Actual | Revs Estimate | Growth | Notes |
|--------|----------------------|------------|--------------|-------------|---------------|---------|------------|
| AMAT | Applied Materials | \$0.80 | \$0.76 | \$3,754.00 | \$3,682.54 | -0.10% | FY Above |
| AXNX | Axonics Modulation | -\$0.89 | -\$0.75 | \$1.31 | \$1.45 | 555.00% | |
| DLB | Dolby Labs | \$0.66 | \$0.66 | \$298.80 | \$297.55 | 24.20% | FY Below |
| FTCH | Farfetch | -\$0.18 | -\$0.20 | \$255.50 | \$248.31 | 93.30% | |
| FSM | Fortuna Silver Mines | \$0.02 | \$0.04 | \$61.30 | \$63.00 | 2.90% | |
| GLOB | Globant | \$0.62 | \$0.59 | \$171.33 | \$171.32 | 27.30% | FY In Line |
| HAYN | Haynes Intl | \$0.48 | \$0.40 | \$129.60 | \$129.35 | 6.00% | |
| HP | Helmerich & Payne | \$0.38 | \$0.24 | \$649.10 | \$650.92 | -6.80% | |
| KLIC | Kulicke & Soffa | \$0.14 | \$0.12 | \$139.80 | \$140.11 | -24.40% | FY In Line |

| | | | | | | | |
|------|----------------|---------|--------|-------------|------------|--------|------------|
| NVDA | NVIDIA | \$1.78 | \$1.57 | \$3,014.00 | \$2,915.22 | -5.20% | FY In Line |
| VFF | Village Farms | -\$0.10 | \$0.13 | \$47.30 | \$44.40 | 18.80% | |
| WPM | Wheaton Metals | \$0.16 | \$0.16 | \$223.60 | \$235.93 | 20.40% | |
| YRD | Yirendai | \$0.34 | \$0.48 | \$287.70 | \$259.41 | 76.30% | |
| JD | JD.COM | \$2.08 | \$1.20 | \$134842.79 | 128414.9 | 28.7% | |

NVDA – Beat on EPS and Revs - CEO Jensen Huang says: "Our gaming business and demand from hyperscale customers powered Q3's results. The realism of computer graphics is taking a giant leap forward with NVIDIA RTX. This quarter, we have laid the foundation for where AI will ultimately make the greatest impact. We extended our reach beyond the cloud, to the edge, where GPU-accelerated 5G, AI and IoT will revolutionize the world's largest industries. We see strong data center growth ahead, driven by the rise of conversational AI and inference. The company will return to repurchasing its stock after closing the acquisition of Mellanox Technologies, Ltd. Although discussions with the European Union and China regulatory bodies are progressing and closing the acquisition is possible by the end of this calendar year, the company believes the closing will likely occur in the early part of calendar 2020."

AMAT – Beat on EPS and Revs - Q4 results "reflect a healthy uptick in demand for semiconductor equipment, combined with strong execution across the company...The semiconductor industry is increasingly adopting a new playbook for improving chip performance, power, area and cost, and we are investing in unique solutions to enable our customers' success in the AI-Big Data era."

FTCH – Beat on EPS and Revs - Jose Neves, Farfetch Founder, CEO and Co-Chair said: "I am very pleased with our continued progress in building the global platform for luxury. We had a fantastic Q3, beating all our expectations, and continuing to capture market share at a rapid pace. With \$1.8 billion of Digital Platform GMV and 1.9 million Active Consumers over the last twelve months, Farfetch is firmly established as the #1 in-season luxury player online. Through our revolutionary technology, services and reach, we will continue to deliver an amazing service to our community of over 1,200 brands and boutiques, while also delighting fashion lovers around the world. We also remain focused on driving the cultural relevance of the Farfetch brand, and in that context I am delighted with our initial progress in integrating New Guards Group. A huge congratulations to all the brilliant Farfetchers who have worked so relentlessly across our global business to achieve these remarkable results."

JD – Beat on EPS and Revs - Net revenues for the third quarter of 2019 were RMB134.8 billion (US\$118.9 billion), an increase of 28.7% from the third quarter of 2018. Net service revenues for the third quarter of 2019 were RMB16.0 billion (US\$2.2 billion), an increase of 47.0% from the third quarter of 2018. "JD's commitment to providing consumers with the best possible online shopping experience drove another strong quarter of growth," said Richard Liu, Chairman and CEO of JD.com. "In particular, more and more consumers in China's fast-growing lower-tier cities are turning to JD for our superior value and service. We will continue to invest in technology and innovation to meet the growing needs of Chinese consumers and businesses for fast and reliable e-commerce and supply chain solutions. "JD saw excellent results for the third quarter marked by accelerating revenue growth and record operating profit margin," said Sidney Huang, Chief Financial Officer of JD.com. "Customer growth also remained solid, reflecting our commitment to becoming China's top source for quality products at everyday low prices, supported by world class operating efficiency. Looking forward, we will increasingly benefit from the

economies of scale inherent in JD's unique business model through our leading supply chain, technology and service capabilities.”