

TOP STORIES

- China Surprises by Trimming Key Interest Rate for First Time Since 2015
- China Expected to Lower LPR on Wed
- U.S., China Officials Hold 'Constructive' Trade Talks on Friday
- Hong Kong Demonstrations Turn Violent Again this Weekend
- Buttigieg Surges into First Place in Iowa Polls; Warren Moderates Healthcare Stance

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3124.25 (6)	4.49
Nasdaq	8342 (23.25)	20.48
Dow	28030 (77)	54.11

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7318.76	0.22%
DAX	13229.96	-0.09%
Nikkei	23416.76	0.49%
Hang Seng	26681.09	1.35%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:00	Housing Market Index	71
12:00	Loretta Mester Speaks	

FOREX

EUR/USD	1.106 (0.09%)
USD/JPY	109.01 (0.26%)
USD/CAD	1.3213 (-0.06%)
GBP/USD	1.2946 (0.36%)

COMMODITY

Oil	57.56 (-0.28%)
Natural Gas	2.599 (-3.31%)
Gold	1459.2 (-0.63%)
Copper	16.76 (-1.11%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.05 (-7.66%)
Nasdaq	VXN	14.57 (-8.08%)
Oil	OVX	32.42 (-4.48%)
Gold	GVZ	11.23 (-5.07%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning with trade optimism rising after the two sides held a talk on Friday. Chinese state media outlet Xinhua said the talks were constructive and there's some hope the two sides could sign a Phase 1 deal without Trump/Xi. The other big news this morning is Chinese repo rates. The central bank unexpectedly trimmed rates for the first time since 2015 and a signal that policymakers are perhaps ready to move forward with stimulus. Expectations are now that the PBOC will cut the prime rate (LPR) on Wednesday. There's also reports the US is set to extend **Huawei** waivers for another 90-days and Trump has approved permanent waivers but will wait for Phase 1 to be complete.

Asian markets were higher across the board this morning with the Hang Seng leading. Defensive sectors like pharma and telecom both strong. **Z Holdings** and **Line** both higher by 1-2% after formalizing their merger.

European markets opened higher but have faded back to unchanged on the morning with the DAX lagging. Defensive stocks also bid here while autos are down around 1% with concerns over tariffs. Spanish bourse **BME** Up 36% after reports of a bidding war from **SIX** and **Euronext**. **Qiagen** up 12% after confirming reports on Friday that will explore alternatives including a sale. **Aviva** down 4.4% after announcing the conclusion of its Asian review. British semiconductor company **IQE** down 25% after issuing their second warning in five months. They continue to see an outsized impact from trade issues.

It was a quiet night for **economic data**. Singapore exports dropped 12.3% in October, worse than the 10.4% drop forecast. Hong Kong unemployment ticked higher to 3.1% vs 2.9%. The ECB's de Guindos spoke this morning and said that lower rates will weigh on bank profits. He also downplayed concerns of a EU recession.

S&P TECHNICALS

Levels: Support 3,050/3,000; Resistance 3,150/3,200



4871 Advancing	Declining 2499
61.8%	31.7%
600 New High	New Low 193
75.7%	24.3%
4811 Above SMA50	Below 2977
61.8%	38.2%
4749 Above SMA200	Below 3039
61.0%	39.0%

KEY EVENTS**Earnings After the Close:** CRMT, ASH, BILL, KRNT, WWD, ZTO**Analyst Days:** LEG, FTNT**Data Tomorrow...** Housing Starts at 8:30 AM, John Williams Speaks**Earnings Before the Open:** WUBA, ARMK, DAVA, HD, JKS, KSS, MMS, MDT, NJR, TJX, TDG**Analyst Days:** MTH, TRP, HY, COP, QCOM, GIL**ANALYST ACTION/COMMENTS****HSBC** upgraded to Buy at Jefferies**Novo Nordisk (NVO)** upgraded to Buy at Barclays**Rockwell (ROK)** upgraded to Buy at Barclays**Huntsman (HUN)** upgraded to Conviction Buy at Goldman**Lyondell (LYB)** upgraded to Conviction Buy at Goldman**Grace (GRA)** upgraded to Buy at Goldman**Venator (VNTR)** upgraded to Buy at Goldman**Element Solutions (ESI)** upgraded to Buy at Goldman**Qiagen (QGEN)** upgraded to Buy at Commerzbank**AB In Bev (BUD)** upgraded to Neutral at Redburn**Elastic (ESTC)** upgraded to Buy at Canaccord**Splunk (SPLK)** upgraded to Buy at Morgan Stanley**WestRock (WRK)** upgraded to Buy at BAML**Owens Corning (OC)** upgraded to Buy at Wells Fargo**Progressive (PGR)** downgraded to Neutral at Goldman**Sherwin Williams (SHW)** cut to Neutral at Goldman**PPG** downgraded to Buy at Goldman**Okta (OKTA)** downgraded to Neutral at Canaccord**Workday (WDAY)** downgraded to Neutral at MSCO**Amarin (AMRN)** downgraded to Neutral at Citi**US Concrete (USCR)** downgraded to Neutral at Stephens**J2 Global (JCOM)** initiated Buy at Piper**Parker Hannifin (PH)** initiated Buy at Barclays**MEDIA HIGHLIGHTS****Saracen** close to buying **Barrick Gold (GOLD)** mine stake for \$750M - Bloomberg**PG&E (PCG)** Says It May Cut Power to 180,000 in Northern California – BloombergSaudi Arabia Doubles How Much Banks Can Lend for **Aramco** IPO – Bloomberg**TikTok** owner **ByteDance** to launch music streaming -FT**Boeing (BA), Airbus** kept in suspense over big Dubai jet deals – ReutersStents no better than drugs for many heart patients, says U.S. study (**MDT, BSX**) – ReutersUnion sets Nov. 19 strike date on **Canadian National (CNI)** if talks fail – ReutersActivist Investor Engaged Takes Another Bite at **Medifast (MED)** - WSJ**Electronic Arts (EA)** Needs the Force to Be Strong With Latest Star Wars Release - WSJU.S. to extend license allowing companies to do business with **Huawei** – NYT**Apple's (AAPL)** iPhone 11 showing early success in China - Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Agios Pharma (AGIO)** CEO buys \$1.25M in stock in Secondary offering**Bristol-Myers (BMY)** gets FTC clearance for **Celgene (CELG)** acquisition**Lockheed Martin (LMT)** awarded maximum \$3.33B Air Force contract**The Medicines Co's (MDCO)** ORION-10 study of Inclisiran met primary, secondary endpoints**Caladrius (CLBS)** reports 'positive' results for CLBS16 from ESCaPE-CMD trial**BridgeBio, Eidos (EIDX)** present 'positive' data from Phase 2 clinical trial of AG10**HP (HPQ)** rejects unsolicited **Xerox (XRX)** proposal**Jefferies Financial (JEF)** to sell 31% interest in **National Beef** to **Marfrig****Japan's Yahoo** and **Line** announce merger plan**Yandex (YNDX)** announces \$300M buyback

PRE-MARKET MOVERS

Moving Higher: YNDX 5.7%, QGEN 3.9%, JD 1.3%

Moving Lower: BOIL -5%

INSIDER TRADING (Form 4 Filings)

Buying: TDW, AMEH, LMNX, AGIO, WETF, CIT, REZI, GDEN, MTDW, IPWR, LGF.B

Selling: ESNT, TSLA, NPTN, RDNT, NEM, DOCU, TRUP, ARVN, FN, CSOD, PAG, CDLX

POTENTIAL SYMPATHY TRADES

BA, SPR, TGI – on Dubai air show deals

OPTION HIGHLIGHTS (Prior Day)

USANA Health (USNA) buyers of 1,650 January \$30 puts for \$3.90 to open and 45X average volume in a name with little notable open interest. Shares have rebounded about 25% from 52-week lows and back into the declining 200-MA where shares are struggling to move higher. The weekly bear wedge will break under \$70 with room back to \$60 and then a measured move to a big volume shelf at \$50. The \$1.55B company trades 16.5X earnings, 1.4X sales, and 8.5X cash. USNA slashed both EPS and revenue outlooks for 2019 seeing 22% and 12% drops respectively and calling for rebounds in FY20 (9.65% and 1.5% respectively). The company manufactures and sells nutritional and personal care products like low-glycemic meal replacements and snack bars. They use a multi-level marketing model that has come under pressure in recent years from regulators over claims of fraud. And, they have significant exposure to China where sales fell 23% in Q2 and customers fell 12%. Their BabyCare business is also under investigation. The company will host its Annual China Sales event in November where they'll outline plans for the region in 2020. Short interest is 7% and up from around 1.6% in February. Hedge fund ownership fell 12.85% in Q2. Analysts have an average target for shares of \$70. Jefferies at Hold with a \$65 PT noting their product line is rooted in science but lacks distinctiveness. China also accounts for 55% of the company's sales and the vast majority of its growth and the lack of visibility is discouraging.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.64	Falling
CBOE Index Put/Call Ratio	1.28	Elevated
CBOE Skew Index	126.28	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	87	Extreme Greed
NYMO	-4.49	Neutral/Neg.
NYSE New Highs	119	Neg. Divergence
McClellan Summation	655.663	Below 8-EMA
Univ. of Michigan Consumer Sentiment	95.7 (November)	-1.8%

SMART MONEY (13g/13d Filings)

IPO MONITOR

Canaan (CAN) issuing 10M shares for \$9-\$11; China-based provider of high performance computing ASICs

SiTime (SITM) issuing 4.3M shares at \$13-\$15; Provider of silicon timing systems solutions

YX Asset Recovery (YXR) issuing 9.3M shares at \$7.75-\$9.75; Business service provider focusing on delinquent consumer debt collection in China

SECONDARY MONITOR

Sun Power (SPWR) files to sell 22M shares

TRADE

WEEKLY TECHNICAL BREAKOUT

PCTY :



Paylocity (PCTY) shares are just working out of a weekly bull flag above \$111.75 with a measured target up to \$135. PCTY is showing relative strength with a bullish MACD crossover on the weekly upcoming and RSI out of a downtrend.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Quidel (QDEL)

Price: \$64

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: QDEL is a \$2.57B provider of diagnostic testing solutions. They have both applications for testing for infectious diseases and other immunoassay products. In addition, they have traditional specimen collection devices and portable testing solutions for drugs of abuse. QDEL is a strong FCF business with impressive margin expansion, new products, and recently saw a lawsuit dismissed.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

SJM :



JM Smucker (SJM) shares forming a bear flag above \$102.50 with a breakdown targeting a move to \$92. The declining 20- and 50-day MA are solid resistance above and earnings on 11-22 a potential catalyst.

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

Heron Therapeutics (HRTX) is a \$1.88B biotech that trades 7.3X cash. The company has a PDUFA for HTX-011, their treatment for post-operative pain, due in March 2020. The drug has been shown to significantly reduce the dependence or need for opioids in patients at discharge and a lot of potential upside.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Danaher (DHR)	Centerpoint (CNP)	Melinta (MLNT)
LogMeIn (LOGM)	Vonage (VG)	Amarin (AMRN)
Intersect (XENT)	J2 Global (JCOM)	Spectrum Pharma (SPPI)
Gentex (GNTX)	Cloudera (CLDR)	Luckin (LK)
ChemoCentryx (CCXI)	Greensky (GSKY)	Biohaven (BHVN)
Manulife (MFC)	ELF Beauty (ELF)	Biogen (BIIB)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Grace (GRA)	Liberty (LBTYK)	JC Penney (JCP)
AxoGen (AXGN)	Cinemark (CNK)	Gulfport (GPOR)
Biohaven (BHVN)	Thor Industries (THO)	Fuelcell (FCEL)
PPL	Greensky (GSKY)	Aurora (ACB)
Air Lease (AL)	Trip.com (TCOM)	Party City (PRTY)
Gentex (GNTX)	Knight (KNX)	Farfetch (FTCH)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Yum Brands (YUM)	Stone (STNE)	Wave Life (WVE)
Bilibili (BILI)	AT&T (T)	Intel-Sat (I)
Cemex (CX)	Wells Fargo (WFC)	Axsome (AXSM)
Zynga (ZNGA)	Bank Of America (BAC)	Sage Therapeutic (SAGE)
American Air (AAL)	Apple (AAPL)	Epizyme (EPZM)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
JD.com (JD)	Silver (SLV)	Cloudera (CLDR)
Luckin (LK)	Disney (DIS)	Greensky (GSKY)
Fitbit (FIT)	Walmart (WMT)	ELF Beauty (ELF)
Facebook (FB)	Discovery (DISCA)	ChemoCentryx (CCXI)
Amarin (AMRN)	Trip.com (TCOM)	Manulife (MFC)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Boston Scientific (BSX)	Cinemark (CNK)	NKE, 3,000 December 13th (W) \$95/\$91.50 strangles sold
Lowe's (LOW)	Macys (M)	IONS, December \$70/\$50 bull risk reversal 1000X
Spectrum (SPPI)	Bausch (BHC)	LIN, 1,500 December \$200/\$185 put spreads
Splunk (SPLK)	NetApp (NTAP)	TEAM, December \$120/\$110 put spread 600X1,200
Tencent Music (TME)	JC Penney (JCP)	VOD, 1,445 January \$19/\$15 bull risk reversals

News Continued

Springer Nature to Revive IPO Plans – Bloomberg

Blackstone (BX) continuing takeover talks with Japan's **Unizo Holdings** – Reuters

Apple (AAPL) to capture top spot in 5G smartphones in 2020 – Digitimes

Demand for Early 3Q19 DRAM Shipment Rises, Pushing Global DRAM Revenue Up by 4% - Trendforce

Euronext and **SIX** tussle over Spain's bourse in bidding war – FT

Tencent In Talks to Form Consortium for **Universal Music Group** Stake – Bloomberg

Kremlin says **Yandex (YNDX)** governance changes are matter for company only; CEO pledges not to sell stake before 2022 – Reuters

Google (GOOGL) Stadia will launch tomorrow with more games than expected – Venture Beat

Expect more M&A approaches in luxury goods industry (**TIF, CPRI, TPR**) – WSJ

Value Stocks Are Back in Vogue, for Now – WSJ

Hillhouse Capital to Bid for **Thyssenkrupp** Elevator Unit – Bloomberg

Swedish pharmaceutical **Recipharm** to buy UK-peer **Consort** for \$650M – Reuters

Samsung is farming out more phones to China to fend off rivals – Reuters

US Bancorp (USB) subsidiary to buy UK payments gateway Sage Pay – Reuters

Canned Tuna Maker **Bumble Bee** Preps for Bankruptcy Filing – WSJ

The WSJ with a Deep Dive Looking at How **Google (GOOG)** Interferes With Its Search Algorithms and Changes Your Results

Trump Delays Decision on Possible E-Cigarette Restrictions (**MO**) – WSJ

Aerie Pharma (AERI) to acquire Avizorex Pharma, S.L. in all cash deal

HollyFrontier (HFC) announces \$1B buyback

Estee Lauder (EL) to acquire Dr. Jart+

Cott Corp. (COT) to acquire The Water Guy

United Bankshares (UBSI), Carolina Financial (CARO) to merge in \$1.1B

Alkermes (ALKS) to acquire Rodin Therapeutics for \$950M (\$100M upfront)

Gulfport Energy (GPOR) suspends share buybacks

Installed Building Products (IBP) acquires Premier Building Supply

Extras

Intel-Sat (I) buyer of 3,000 March \$10 calls for \$5.70 to \$5.80

Alexion (ALXN) spread sells the Dec. \$120 calls to buy the \$105/\$95 put spread

Avalara (AVLR) buyer of 750 December \$75 calls for \$3.90

CarGurus (CARG) late day buyer of 600 February \$40 calls for \$2.90

Chemours (CC) buyers of 4,500 November 29th (W) \$17 puts for \$0.35

Cliffs (CLF) with 10,000 January \$7 calls sold to open for \$0.64 to \$0.62

Carvana (CVNA) late day sale of 6,000 December \$75 puts for \$1.85 to \$1.75

General Electric (GE) with sellers of 5,000 Jan. 2022 \$10 puts for \$1.48

Ichor (ICHR) late sellers of 1,000 January \$30 puts for \$1.35 to \$1.25

Lilly (LLY) afternoon buyers of 1,950 December \$115 puts from \$3.15 to \$3.35

Macys (M) buyers of 2,450 December \$17 puts for \$1.44 to \$1.53

RingCentral (RNG) spread sells 530 December \$180 calls to buy the \$170/\$160 put spread

Norfolk Southern (NSC) the Dec. \$190/\$170 put spread bought 750X

PerkinElmer (PKI) late day buyers of 1,200 December \$95 calls up to \$1.10, some rolling from November, and also 1,500 of the \$100 calls bought for \$0.30 to \$0.35

Health Insurance Innovations (HIIQ) buyer of 2,000 January \$23 calls for \$2.90, company that is exploring strategic alternatives

E-Trade (ETFC) buyer of 4,000 December \$50 calls for \$0.27 to \$0.35

Burlington (BURL) spreads this afternoon are also buying 2,500 November 29th (W) \$210 calls for \$7.80 and selling 2,500 of the \$220 calls for \$3.90 and 2,500 of the \$225 calls for \$2.60

AstraZeneca (AZN) afternoon buyers of 5,000 December \$50 calls for \$0.20

Analyst Day Focus

Conoco Philips (COP) will host an Analyst Day tomorrow, a key event where they'll outline plans for 2020 and beyond. The company will also do a deep dive into the assets across their portfolio, FCF growth estimates, and shareholder return plans. BAML was out on 10-29 noting expectations are high for their shareholder return plan given potential to consider a cash return strategy that has flexibility through the cycle. "With total debt of \$16bn, or 1.5x cash flow and 9.0bn of cash on hand (pro forma for Darwin), COP heads into 2020 with options on not if but how it returns cash to shareholders. The key question is what COP does if ever oil prices return to elevated levels – and how it encourages investors to participate. We continue to believe a base dividend, plus buy backs has upside from some form of variable distribution." COP is coming off a strong quarter with better LNG realizations while asset sales continue to set up a strong near-term base for project funding (Alaska and Qatar). The \$64.57B company trades 16.27X earnings, 1.9X sales, and 16.75X FCF with a 2.88% yield. On the chart, shares are forming an inverted head and shoulders under \$61/\$62 and the 200-day MA. A move higher targets \$70.

Insider Focus

Agios Pharmaceuticals (AGIO) with a number of insiders taking part in the recent secondary at \$31 including the CEO who bought \$1.25M. Another director bought \$250k in stock. The \$2.3B biotech trades 20.4X sales and 5X cash. They estimate growing revenues from \$119.6M in 2019 to over \$305M by FY21, 52% and then 68% the next two years. AGIO has three approved drugs (two with primary rights and one shared with CELG) with a focus on acute myeloid leukemia (AML). They also have a deep clinical pipeline with seven Phase 3 studies ongoing. Analysts have an average target for shares of \$65. Piper with a \$70 PT on 10-28. They think shares are at a floor and that significant value can still be created from mitapivat, DHODH, or eventually methylthioadenosine phosphorylase. "AGIO is one of our favorite names heading into 2020. We believe shares are near a \$30 floor based on conversations with some of the more bearish investors and that future IDH franchise revenues (approaching ~\$300M by 2023) plus cash (~\$700M) provide solid valuation support, while the pipeline (MTAP, DHODH, mitapivat) is receiving little credit." RBC with a \$82 PT on 10-1. The analyst sees potential to grow the "IDHmut" market with upside from earlier lines of therapy with longer treatment duration. Guggenheim upgrading to Buy on 9-23 stating that the current valuation reflects no value beyond Tibsovo and Idhifa. Even with more conservative estimates, he believes Tibsovo alone is worth \$35 per share and Idhifa royalties from Celgene (CELG) are worth \$4, giving the stock a one-year "floor valuation" of \$39 per share. Short interest is 15.8% but down a bit from 19.6% in October. Hedge fund ownership rose 41% in Q3. Casdin Capital doubling their stake while ArrowMark and Caption Management and Alkeon also buyers. The company will be at ASH on 12/9 with Phase 2 data in PKD. They have Phase 2 data in thalassemia also due in Q4.