

**TOP STORIES**

- Stocks Fall as Trump Threatens More Tariffs
- WSJ: Two Sides Hit an ‘Impasse’ Over Details of Trade Agreement
- China Vows to Retaliate Over US Senate Passing Hong Kong Bill
- China Cuts Key Rate in Latest Fine-Tuning of Economic Stimulus
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**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3109 (-9.5)</b>	<b>-10.43</b>
<b>Nasdaq</b>	<b>8305.5 (-38.5)</b>	<b>-39.74</b>
<b>Dow</b>	<b>27803 (-92)</b>	<b>-100.02</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7226.13</b>	<b>-1.33%</b>
<b>DAX</b>	<b>13110</b>	<b>-0.84%</b>
<b>Nikkei</b>	<b>23148.57</b>	<b>-0.62%</b>
<b>Hang Seng</b>	<b>26889.61</b>	<b>-0.75%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>10:30</b>	<b>EIA Petroleum</b>	
<b>2:00</b>	<b>FOMC Minutes</b>	
<b>7:30</b>	<b>Democratic Debate</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1058 (-0.18%)</b>
<b>USD/JPY</b>	<b>108.46 (-0.06%)</b>
<b>USD/CAD</b>	<b>1.3296 (0.23%)</b>
<b>GBP/USD</b>	<b>1.2895 (-0.21%)</b>

**COMMODITY**

<b>Oil</b>	<b>55.30 (0.16%)</b>
<b>Natural Gas</b>	<b>2.557 (1.87%)</b>
<b>Gold</b>	<b>1476.3 (0.14%)</b>
<b>Copper</b>	<b>2.6635 (0.26%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>12.59 (1.04%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>15.03 (0.60%)</b>
<b>Oil</b>	<b>OVX</b>	<b>32.94 (-0.09%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>32.94 (-2.20%)</b>

**MARKET OUTLOOK**

Futures are down early with a few cautious notes on trade on the tape. First hit yesterday afternoon when the President said that he was willing to raise tariffs on China if the country doesn't make a deal on trade. Then overnight the WSJ out with an article saying the two sides are hitting an impasse as they have yet to agree on a number of critical issues. Finally, the HK legislation passed by Congress yesterday drew blowback from Beijing. The bill goes back to the House now before reaching Trump's desk (there's no guarantee he will sign it but the unanimous GOP vote in the Senate makes it more likely he will). A lot of posturing while the overall feeling still remains the two sides will reach a Phase 1 deal but the timing and depth of such a measure are unsure.

Asian markets were weak overnight with worries over trade. There's also some negative sentiment over Congress passing a pro-HK democracy legislation which China has strongly condemned and told the US to 'stop meddling.' Tech was weak with **Advantest** down 3%. Cargo shipping names some of the biggest losers with **Nippon Yusen** down 4.2%.

European markets are having their worst morning in a little over six weeks with the recent trade comments. **Wirecard** is down 5% after reports that its auditor refused to sign off on a 2017 audit citing irregularities. Home improvement leader **Kingfisher** fell 6% after a weak drop in comps. **Alcon** is down 3.5% after earnings. The company affirmed its outlook but raised cost estimates from its spin out of NVS. **Sage Group** is down over 3% after earnings. **Swedbank** down 3% after reports the US is investigating whether the company breached sanctions against Russia.

Looking at **economic data**, China lowered rates to 4.15% vs 4.20%, as expected on Monday. Japanese imports fell 14.8% in October, better than feared. Exports fell 9.6% which was worse than expected. German PPI came in light at -0.6% vs -0.4%. US mortgage applications fell 2.2% for the week.

**S&P TECHNICALS**

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



<b>4311 Advancing</b>	<b>Declining 3087</b>
<b>54.9%</b>	<b>39.3%</b>
<b>532 New High</b>	<b>New Low 243</b>
<b>68.6%</b>	<b>31.4%</b>
<b>4785 Above SMA50</b>	<b>Below 2975</b>
<b>61.7%</b>	<b>38.3%</b>
<b>4707 Above SMA200</b>	<b>Below 3053</b>
<b>60.7%</b>	<b>39.3%</b>

**KEY EVENTS**

**Earnings After the Close:** CPRT, JACK, LB, LZB, NTES, NUAN, SQM, SONO

**Analyst Days:** CREE, FOCS, OMF, PLT, NTGR, OSTK, CRM, ROK

**Conferences:** RBC TMT Conference, Stifel Global Health Conference, Dreamforce Conference, Jefferies London Healthcare Conference (NBIX, TMO, REGN, EXAS, VCRA, ESPR, BDSI, IOVA, MNK, CRL, AMRN, CTMX, AXGN, ALDX, TCRP, XERS, IGMS, SBPH, IONS, CRBP, CHRS, VKTX, BMRN, CARA, ALKS)

**Other:** Democratic Debate

**Tomorrow...** Earnings Before the Open: ASYS, PLAN, BZUN, BERY, BJ, BRC, BV, AQUA, M, SDRL, SFL

**ANALYST ACTION/COMMENTS**

**Intelsat (I)** upgraded to Buy at Raymond James

**Trade Web (TW)** upgraded to Buy at Goldman Sachs

**Credit Suisse (CS)** upgraded to Neutral at Redburn

**Paycom (PAYC)** upgraded to Buy at RBC

**Canopy Growth (CGC)** upgraded to Buy at BAML

**Sherwin Williams (SHW)** downgraded to Hold at Edward Jones

**Berry Petroleum (BRY)** downgraded to Sell at Keybank

**Kohls (KSS)** downgraded to Neutral at Goldman

**CBOE Global (CBOE)** downgraded to Neutral at Goldman

**Evergy (EVRG)** downgraded to Sell at BAML

**Qudian (QD)** downgraded to Sell at Macquarie

**Dana (DAN)** initiated Buy at OpCo, \$20 PT

**Alnylam (ALNY)** initiated Buy at OpCo, \$128 PT

**Amarin (AMRN)** initiated Sell at OpCo, \$7 PT

**Zymeworks (ZYME)** initiated Buy at Guggenheim

Deutsche Bank starts **SLB, HAL, FTI, BKR** at Buy, **VAL** at Neutral and **PTEN, HP** at Sell

**KLA-Tencor (KLAC)** started Buy at Nomura

**Brinks (BCO)** initiated Buy at Goldman

**MEDIA HIGHLIGHTS**

**New Belgium Brewing** Bought by **Kirin** in Latest Japan Craft Beer Deal - Bloomberg

**Alibaba (BABA)** Guides Pricing on Hong Kong Listing at 2.6% Discount to US - Bloomberg

**Qualcomm (QCOM)** expects 5G phone sales to double in 2021 - Reuters

**ConocoPhillips (COP)** targets \$50B free cash flow over next decade - Reuters

Nevada Gaming Commission regulators eye Steve Wynn's ex-wife (**WYNN**) - NY Post

New quick service coffee startup creates competition for **Starbucks (SBUX)** and **Dunkin' (DNKN)** - Ny Post

Fire victims claim \$11B insurance agreement is blocking **PG&E (PCG)** deal - WSJ

**HSBC** to replace long-time investment banking head - FT

**General Motors (GM)** not liable for punitive damages in ignition switch cases - Reuters

**Siemens** Aims to Shed 75% of Energy Unit – Bloomberg

After aiming at **Just Eat**, Prosus will double down on food delivery bets globally – Reuters

China memory chip output zooms from zero to 5% of world total – Nikkei

Emirates Trims **Boeing (BA)** Order Plan as It Curbs Global Ambition – Bloomberg

**DoorDash** Is Considering a Direct Listing Over Traditional IPO – Bloomberg

**Fannie (FNMA), Freddie (FMCC)** may need to raise more than \$180B expected from 2018 bill – WSJ

**STOCK SPECIFIC NEWS OF NOTE**

Couche-Tard sells interest in **CrossAmerica (CAPL)**

**Cannae (CNNE)** names new CEO

**NXP Semi (NXPI)** to resume share buybacks in 2020

**BB&T (BBT), SunTrust (STI)** receive regulatory approvals for merger

**NetApp (NTAP), Google Cloud (GOOG)** advance strategic partnership

**LivaNova (LIVN)** restructures heart valve business

**Salesforce (CRM)** raises FY outlook

**PRE-MARKET MOVERS**

**Moving Higher:** TGT 8.8%, I 7%, CGC 6%, LOW 3.5%

**Moving Lower:** PDD -20%, AMRN -6%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** VERI, CTVA, TUP, GLPI, EMR, DS, LVGO, PETQ, MCD, RETA

**Selling:** NEOG, SI, SNX, BKH, MORN, UBER, BYND, CRM, INT, GDDY, FIVN, INVH, SHOO

**POTENTIAL SYMPATHY TRADES**

AEO, GPS, ANF – on URBN weakness

**OPTION HIGHLIGHTS (Prior Day)**

**ChemoCentryx (CCXI)** with another 6,000 December \$10/\$15 call spreads bought today for \$1.60, spot with 4,000 already in open interest from buyers yesterday. CCXI had 5,000 December \$13 calls bought on 11-15 for \$1. Shares have moved higher since mid-Sept. into a small gap from June and pulling back over the last week to back-test the base breakout at \$8. CCXI has a big VPOC at \$12-\$13 range from 2018. The \$501M biotech is a binary event with their Phase 3 readout for the ADVOCATE trial upcoming by year-end. The study looks at their treatment for ANCA vasculitis, an autoimmune disease that effects small blood vessels in the body. It's a highly inflammatory disease that can cause irreversible damage to the kidney and other organs that often result in death. The current standard of care has some significant gaps including significant rate of relapse due to the tapering effect of steroids and side effects like toxicity. CCXI's treatment is a chemoattractant system that selectively targets the disease while leaving the rest of the immune system intact which helps limits typical consequences. Shares trade less than 3X cash with short interest at 5.6% and down from 7.2% in late July. Analysts have an average target for shares of \$18. Piper positive on 10-2 citing their strong cash position while JP Morgan thinks ADVOCATE has 90-110% upside with a high probability of success while the totality of the data will be key for adoption. They upgraded shares to Buy on 9-12 after a KOL discussion and feel the risk/reward is better at these levels. Nantahala Capital a buyer of call options while Farallon Capital and Baker Bros. with smaller position.

**AFTER HOURS MOVERS**

**Gainers:** CRC 3%, BKR 2%, TAP 1.7%

**Losers:** URBN -16%, CRSP -5.8%, AMRN -4%

**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)**

Point72 reports 6.1% passive stake in **BioCryst (BCRX)**

**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**

**MGM Growth (MGP)** pricing 30M secondary at \$31.25

**Axonics (AXNX)** pricing 5M secondary at \$22

# 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
<b>Stock</b>	<b>27X</b>	<b>3X</b>	<b>5.5X</b>	<b>15.1X</b>	<b>18.5X</b>
<b>Industry Avg.</b>	<b>31.1X</b>	<b>7.5X</b>	<b>9.2X</b>	<b>18.8X</b>	<b>29.3X</b>

**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>
ChemoCentryx (CCXI)	Franco Nevada (FNV)	Myovant (MYOV)
Keurig (KDP)	Danaher (DHR)	ChemoCentryx (CCXI)
Athenex (ATNX)	Nutrien (NTR)	Corcept (CORT)
Ashland (ASH)	Valaris (VAL)	Chesapeake (CHK)
CDK Global (CDK)	Nuance (NUAN)	Intel-Sat (I)
Diamond Offshore (DO)	Kohls (KSS)	Diamond Offshore (DO)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Keurig (KDP)	Textron (TXT)	Crispr (CRSP)
Taylor Morrison (TMHC)	Valaris (VAL)	Bilibili (BILI)
Assured Guaranty (AGO)	Sally Beauty (SBH)	Juniper (JNPR)
Extended Stay (STAY)	Avis Budget (CAR)	Spectrum (SPPI)
Sun Comms (SUI)	Baker Hughes (BKR)	Luckin (LK)
Smith Micro (SMSI)	Ehealth (EHTH)	Qiagen (QGEN)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Vale SA (VALE)	Twitter (TWTR)	Wave Life (WVE)
Agile (AGRX)	Gamestop (GME)	Intel-Sat (I)
Athenex (ATNX)	Nutrien (NTR)	Axxome (AXSM)
Pinduoduo (PDD)	Luckin (LK)	Sage Therapeutic (SAGE)
Aurinia (AUPH)	Apple (AAPL)	Epizyme (EPZM)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Facebook (FB)	GE	Valaris (VAL)
Visa (V)	Macy's (M)	Nuance (NUAN)
Uber (UBER)	Roku (ROKU)	Kohls (KSS)
AMD	Micron (MU)	CDK Global (CDK)
Tesla (TSLA)	Clovis (CLVS)	Diamond Offshore (DO)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Chewy (CHWY)	Philip Morris (PM)	CCXI, 6,000 December \$10/\$15 call spreads
Roku (ROKU)	NetApp (NTAP)	DG, December \$155/\$145 put spread bought 700X1,400
Diamond Offshore (DO)	Intra-Cellular (ITCI)	KR, December \$28/\$26.5 bull risk reversals open 3000X
Visa (V)	Sprint (S)	DD, 2000 next week \$67/\$69 call spreads
Sage (SAGE)	Jefferies (JEF)	TWLO, Dec. 6th (W) \$100/\$96 put spread bought 1200X



## News Continued

**Hologic (HOLX)** to sell medical aesthetics business to Cynosure for \$205M

**Apple (AAPL)** piloting version of Apple Music for commercial use – WSJ

**Westpac Banking (WBK)** accused of breaching money laundering laws – WSJ

**Bristol-Myers (BMY)** says Statistically significant benefit not reached in CheckMate -915

**Rockwell Automation (ROK), Ansys (ANSS)** announce strategic partnership

## Extras

**Cardtronic (CATM)** sells off late with 5000 June \$45 puts active up to \$9.50 from \$8.60 where 7000 are already in OI

**Medifast (MED)** with 1500 March \$100 puts opening \$21.50 as the \$85 puts adjust

**Tencent Music (TME)** late buys 3000 December \$12 calls \$0.60

**Baxter (BAX)** IV rose with 1000 December 27<sup>th</sup> (W) \$81.50 calls opening in the afternoon \$2 to \$2.15

**JP Morgan (JPM)** with 2250 Dec. 13<sup>th</sup> (W) \$128 synthetic long positions opening \$2.96 debit

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CURLF	Curaleaf	-\$0.01	-\$0.03	\$61.80	\$64.07	188.80%	
ESE	Esco Tech	\$1.09	\$1.07	\$236.66	\$235.35	2.40%	
PAGS	PagSeguro Digital	\$1.18	\$1.20	\$1,463.00	\$1,496.55	30.30%	
URBN	Urban Outfitters	\$0.56	\$0.57	\$987.47	\$1,000.48	1.40%	
AVYA	Avaya Holdings	-\$0.31	\$0.82	\$723.00	\$747.07	0.80%	
LOW	Lowe's	\$1.41	\$1.35	\$17,388.00	\$17,687.05	-0.20%	
PDD	Pinduoduo	-\$1.44	-\$0.52	\$7,513.95	\$7,575.22	122.80%	
QIWI	QIWI	\$30.30	\$21.33	\$5,993.00	\$5,782.00	14.60%	
TGT	Target	\$1.36	\$1.18	\$18,414.00	\$18,450.00	4.70%	

**URBN – Missed on EPS and Revs** - Comparable Retail segment net sales increased 3%, driven by growth in the digital channel, partially offset by negative retail store sales. By brand, comparable Retail segment net sales increased 9% at Free People, 4% at the Anthropologie Group and were flat at Urban Outfitters. Wholesale segment net sales decreased 7%. The decline in gross profit rate was due to higher markdowns, deleverage in logistics and delivery expenses and lower Wholesale segment margins. The

higher markdowns were largely driven by underperforming women's apparel at the Urban Outfitters brand. The deleverage in delivery expenses is primarily due to the increase in penetration of the digital channel. The deleverage in logistics expense is due in part to the increased penetration of the digital channel as well as increased labor expenses due to the competitive market for employment in the U.S. The lower Wholesale segment margins were due to increased markdowns from the department stores.