

## TOP STORIES

- China's Xi Wants to Work Out Phase 1 Deal with 'Mutual Respect, Equality'
- Japan Lowers Employment, Corporate Profit Forecasts as Global Growth Weighs
- German Manufacturing Bounces Back
- ECB's Lagarde Urges Governments to Boost Public Investment
- Yellen says US Economy in 'Excellent' Shape but Faces Several Risks

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3107.75 (3.75)</b>	<b>4.96</b>
<b>Nasdaq</b>	<b>8294.25 (19.75)</b>	<b>22.63</b>
<b>Dow</b>	<b>27776 (28)</b>	<b>35.71</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7314.69</b>	<b>1.05%</b>
<b>DAX</b>	<b>13152.21</b>	<b>0.11%</b>
<b>Nikkei</b>	<b>23112.88</b>	<b>0.32%</b>
<b>Hang Seng</b>	<b>26595.08</b>	<b>0.48%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:45	PMI Composite Flash	51.2
10:00	Consumer Sentiment	95.7

## FOREX

EUR/USD	<b>1.1064 (0.06%)</b>
USD/JPY	<b>108.5 (-0.12%)</b>
USD/CAD	<b>1.3279 (-0.05%)</b>
GBP/USD	<b>1.2876 (-0.29%)</b>

## COMMODITY

Oil	<b>58.33 (-0.43%)</b>
Natural Gas	<b>2.577 (0.39%)</b>
Gold	<b>1472.1 (0.58%)</b>
Copper	<b>2.639 (0.59%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>13.13 (2.74%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>16.07 (2.95%)</b>
<b>Oil</b>	<b>OVX</b>	<b>31.59 (-1.89%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>11.37 (-1.56%)</b>

## MARKET OUTLOOK

Futures are indicating a higher open for the morning after comments from China's President Xi on trade. In his first public comments on a potential Phase 1 deal, Xi said he wanted Beijing to work towards a deal on 'the basis of mutual respect and equality.' He also said that while China didn't start the trade war, it would fight back as necessary. Overall, nothing really new but the more conciliatory tone is helping markets. Trump will be interviewed on Fox at 8am this morning, so potential for new sound bites. The Hong Kong bill has made it to Trump's desk and is likely to be signed, per the NYT. It's also not expected to impact trade talks. The ECB's Lagarde with her first speech since taking over for Mario Draghi was largely a non-issue. She pressed for more public investment by governments.

Asian markets were mostly higher overnight with the Nikkei edging higher to close the week. The index fell more than 80 bps this week, however, its biggest drop since early October as trade concerns weighed. **Z Holdings** up 4% as it continues to gain following the Line merger announcement.

European markets are in the green this morning with the FTSE outperforming up over 1%. The Stoxx 600 is set for its first weekly decline in the last seven weeks after testing record highs. It was a quiet day for stock-specific news. **Mediaset** up 2.2% after reports that **Vivendi** was set to sell its stake.

A busy morning of **economic data** to close the week. Japanese manufacturing PMI was light at 48.6 vs 48.7. Services PMI was in line at 50.4. Eurozone manufacturing PMI was slightly better at 46.6 vs 46.4. Services PMI was light at 51.5 while the composite PMI was also light at 50.3. UK manufacturing came in light at 48.3 vs 48.8. The standout was German manufacturing PMI that came in nearly a point above the forecast at 43.8 vs 42.9.

## S&P TECHNICALS

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



2779 Advancing	Declining 4584
35.4%	58.4%
126 New High	New Low 157
44.5%	55.5%
4537 Above SMA50	Below 3223
58.5%	41.5%
4550 Above SMA200	Below 3210
58.6%	41.4%

**KEY EVENTS****Economic:** Chicago Fed at 8:30 AM, Dallas Fed at 10:30**International Data:** German IFO**Earnings Before the Open:** JEC**Earnings After the Close:** A, AMBA, BECN, CAL, HPE, MTSC, NTNX, PANW, PVH**Analyst Days:** SEDG, MBT, ZTO, PTC, Swiss Re**ANALYST ACTION/COMMENTS****Duke Energy (DUK)** upgraded to Buy at Goldman**Site Centers (SITC)** upgraded to Buy at Stifel**Int'l Flavors (IFF)** upgraded to Buy at Citi**L Brands (LB)** upgraded to Neutral at Evercore**Uber (UBER)** upgraded to Buy at Stifel**Chuy's (CHUY)** upgraded to Buy at Wedbush**Cinemark (CNK)** downgraded to Neutral at B Riley**Novo Nordisk (NVO)** downgraded to Hold at Pareto**Enanta (ENTA)** downgraded to Neutral at JMP**Baozun (BZUN)** downgraded to Neutral at CSFB**Technip (FTI)** downgraded to Hold at Berenberg**Venator (VNTR)** downgraded to Hold at UBS**Universal Display (OLED)** cut to at Hold at CowenWedbush starting **BHVN** at Buy; starting **APLS** at Sell**Change Health (CHNG)** initiated Buy at RBC**Teledoc (TDOC)** initiated Buy at RBC, \$100 PTMacquarie starting **PDD, NTES, BABA, VIPS, TCEHY** at Buy, **BIDU, JD** at NeutralJefferies starting **EFX, CTAS, SERV, BFAM, SPGI, CWST, WCN, RSG, AMRC, GWW, HDS, BV** at Buy; starting **FAST, MSM, WM, SRCL, CVA, INFO, IT, FDS, TRU, CSGP, ARMK, HRB, ROL, HTZ, MAN, WCC** at Neutral; and **CLH, RHI** at Sell**Lending Tree (TREE)** initiated Buy at JP Morgan**Zoom Video (ZM)** initiated Buy at Guggenheim**AstraZeneca (AZN)** initiated Buy at SVB Leerink**MEDIA HIGHLIGHTS****The Gap (GPS)** to pull **Old Navy** brand from China in early 2020 – ReutersShipments of **Apple (AAPL)** AirPods expected to double to 60M in 2019 – Bloomberg**Exxon (XOM)** looks to sell \$25B of assets to focus on bigger projects – ReutersSales at **Ford's (F)** China JV with Changan to return to growth in 2020 - Reuters**FCA (FCAU)** 'confident' **Peugeot** deal will be finalized by year-end – Reuters**Amazon (AMZN)** Suit Against Pentagon Cloud Contract Seen as Uphill Fight – BloombergDeadly Hog Virus Nears One of China's Top Pork Suppliers (**TSN, PPC, SAFM**) – BloombergPapua New Guinea flags talks stall with **Exxon (XOM)** on \$13B gas expansion – ReutersWhite House considering fresh probe into EU auto trade after Sec. 232 lapses (**GM, F, FCAU**) – Politico**Facebook (FB)** Weighs Steps to Curb Narrowly Targeted Political Ads – WSJ**Google (GOOGL)** runs into data fears over \$2.1B **Fitbit (FIT)** deal – FT**Xerox (XRX)** Threatens to Go Hostile With **HP (HPQ)** Takeover Bid – WSJ**Microsoft (MSFT)** granted license to export some of its software products to Huawei – Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Yum! Brands (YUM)** authorizes up to \$2B in buybacks**AES Corp. (AES)** says PUCO has modified DP&L rates**LCI Industries (LCII)** subsidiary to acquire CURT Group for about \$340M**Tesla (TSLA)** unveils first-ever electric pickup truck**Element Bio (EBS)** targeting \$2B in revenue with 27-30% EBITDA margin by 2024Trump to host summit on vaping at WH today (**MO**)**Aecom (ACM)** announces governance agreement with Starboard Value; board to expand; CEO to step down**Anixter (AXE)** deal raised to \$82.50 (from \$81) from CD&R

**PRE-MARKET MOVERS**

**Moving Higher:** FL 4.5%, AZN 1.5%

**Moving Lower:** TSLA -3%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** ENPH, BH, PAGP

**Selling:** WM, LRCX, ARNC, PNC, AMAT, WYNN, BLL

**POTENTIAL SYMPATHY TRADES**

**RH** – on WSM earnings

**HRB** – on INTU earnings

**CAL, NKE, GCO** – on FL/SCVL earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Air Transport (ATSG)** with 1,850 January \$25 calls bought up to \$1 to open early and volumes now over 2,700 in the first half hour. **ATSG** also seeing 1,500 June \$25 calls bought up to \$2.50. Shares have been on a strong run recently back to the June highs around \$24.50 and pulling back this week to the rising 13-EMA. A move over the recent highs clears a downtrend from the 2017 peak around \$26.50 and sets up for a big long-term run with weekly MACD crossing over bullish recently and RSI just above 55, ready to run. The \$1.41B air delivery and freight services company trades 15X earnings, 1X sales, and 30.2X cash. They see mid-teens EPS growth and high-single digit revenue growth each of the next two years, a big acceleration over 2019. The company is coming off a strong quarter and raising their outlook for Q4 flight schedules due to higher-than-expected demand from e-commerce during the holidays. They see tailwinds from a greater mix shift towards express-package services. **ATSG** operates in the freight and logistics market with a fleet of nearly 100 aircraft with operations across delivery, forwarding, and with the US military. Their biggest area for revenue is ACMI at 52% of their mix with dry-leasing cargo at 22%, and MRO services at 19%. The company has an agreement with Amazon with multi-year leases for nearly 30 by the end of 2020. **AMZN** also owns an equity stake. In September, it was announced that they were pulling service from two 767 planes from peer Atlas (AAWW) and shifting the business to **ATSG**. Analysts have an average target for shares of \$29.25 with limited coverage, although 4 buy ratings. Stephens with a \$32 PT citing strong customer demand, cash flow generation and visibility into stable long-term earnings. Short interest is 3.6% and down from around 4.6% last month. Hedge fund ownership rose 3% in Q3. **ATSG** has seen a lot of insider buying this year including a \$200K purchase from a director in August and a \$540K buy in May.

**AFTER HOURS MOVERS**

**Gainers:** SCVL 9%, JWN 8.4%, SPLK 5.5%

**Losers:** PSTG -23%, WSM -5%

**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**

# 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>
Equitrans (ETRN)	Resideo (REZI)	Intra-Cellular (ITCI)
Front Yard (RESI)	Jack in the Box (JACK)	ChemoCentryx (CCXI)
Axsome (AXSM)	QIWI (QIWI)	Axsome (AXSM)
Jack in the Box (JACK)	Glaukos (GKOS)	Hexo (HEXO)
FMC Corp (FMC)	Danaher (DHR)	ArQule (ARQL)
Copart (CPRT)	NRG Energy (NRG)	Fuel Cell (FCEL)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Front Yard (RESI)	Intersect ENT (XENT)	Macys (M)
Harsco (HSC)	Resideo (REZI)	L Brands (LB)
Gerdau (GGB)	Gardner Denver (GDI)	Sonos (SONO)
Brookfield (BAM)	RR Donnelly (RRD)	Anaplan (PLAN)
Neptune (NEPT)	Sprint (S)	La Z Boy (LZB)
Tradeweb (TW)	NRG Energy (NRG)	BJs Wholesale (BJ)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Golar LNG (GLNG)	Chemours (CC)	Wave Life (WVE)
Gerdau (GGB)	Sprint (S)	Intel-Sat (I)
Vale SA (VALE)	Grub Hub (GRUB)	Axsome (AXSM)
Gap (GPS)	Bristol Myers (BMY)	Sage Therapeutic (SAGE)
General Motors (GM)	Roku (ROKU)	Epizyme (EPZM)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Canopy (CGC)	Apple (AAPL)	Glaukos (GKOS)
Nike (NKE)	Roku (ROKU)	Danaher (DHR)
Cronos (CRON)	Tiffany (TIF)	NRG Energy (NRG)
Cliff's (CLF)	Sprint (S)	FMC Corp (FMC)
Micron (MU)	General Motors (GM)	Copart (CPRT)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Pan American (PAAS)	PayPal (PYPL)	DIS, 1200 December \$149/\$147 strangles sold
Air Transport (ATSG)	Qualcomm (QCOM)	ANF, 1500 November 29th (W) \$16/\$13.50 put spreads
RH (RH)	Wayfair (W)	CMCSA, 3000 July \$50/\$37.5 collars w/ stock
Hexo (HEXO)	Sprint (S)	CPB, 1200 December 6th (W) \$47/\$45.50 put spreads
Walmart (WMT)	The Gap (GPS)	NTES, March \$310/\$325 call spread bought 600X

## Extras

**Dynatrace (DT)** with 1,000 December \$25 calls bought late up to \$1.80

**Puma Bio (PBYI)** late day IV drop as 750 January 2021 \$15 deep ITM puts sold to open for \$7.85

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ENTA	Enanta	\$0.44	\$0.56	\$51.30	\$55.95	-23.70%	
GPS	Gap	\$0.53	\$0.51	\$3,998.00	\$3,964.35	-2.20%	
IIIV	i3 Verticals	\$0.24	\$0.23	\$40.57	\$38.20	44.40%	FY In Line
INTU	Intuit	\$0.41	\$0.25	\$1,165.00	\$1,124.33	14.70%	FY In Line
MATW	Matthews	\$1.01	\$0.98	\$392.40	\$380.59	-3.70%	
JWN	Nordstrom	\$0.81	\$0.64	\$3,672.00	\$3,670.87	-2.00%	
OOMA	Ooma	\$0.01	-\$0.05	\$39.60	\$38.39	21.50%	
POST	Post	\$1.39	\$1.05	\$1,442.80	\$1,414.91	-11.50%	
PSTG	Pure Storage	\$0.13	\$0.09	\$428.40	\$440.39	14.90%	FY Below
ROST	Ross Stores	\$1.03	\$0.98	\$3,849.00	\$3,773.30	8.40%	
SCVL	Shoe Carnival	\$0.94	\$0.89	\$274.65	\$273.20	2.00%	FY Above
SPLK	Splunk	\$0.58	\$0.55	\$626.00	\$605.20	30.10%	FY Above
WSM	Williams-Sonoma	\$1.02	\$1.02	\$1,442.00	\$1,414.04	6.30%	

**ROST – Beat on EPS and Revs** - Sees Q4 SSS up 1%-2%. CEO Barbara Rentler says: "As we enter this year's holiday season, we are up against multiple years of strong comparable store sales gains. In addition, we expect another fiercely competitive retail landscape, along with ongoing uncertainty surrounding the macro-economic and political environment. As such, while we hope to do better, we continue to project fourth quarter comparable store sales gains of 1% to 2% versus a 4% increase last year. Based on our year-to-date results, and our updated fourth quarter guidance, we are now planning earnings per share for fiscal 2019 to be in the range of \$4.52 to \$4.57, up from \$4.26 in fiscal 2018."

**JWN – Beat on EPS and Revs** - "Our market strategy is transforming our business model in how we're serving customers. We have a unique mix of assets - Full-Price, Off-Price, stores, and online - and we are further linking our businesses to serve customers in new and differentiated ways. We achieved an important milestone with the opening of our New York City flagship store, significantly increasing our presence in the world's top retail market. It's a culmination of efforts across many teams, and we are grateful for their dedication and passion in bringing this store to life," said Erik Nordstrom, co-president, Nordstrom, Inc

**SCVL – Beat on EPS and Revs, Raising FY** - Reports Q3 SSS up 3.5%. CEO Cliff Sifford says: "We are very pleased with our broad-based strength across all product categories, geographies and sales channels in the third quarter. Our record earnings were fueled by solid comparable store sales growth throughout the quarter, including our seventeenth consecutive positive comparable store sales for the month of August. This demonstrates that Shoe Carnival remains a destination for back-to-school family footwear. Our customer-centric organization and fun, engaging shopping environment continues to resonate with consumers and gives us confidence in our raised outlook for fiscal 2019. Going forward, we believe our strong foundation, combined with the recent addition of new customer-data driven resources, positions us well for sustainable, profitable growth for many years to come."

**INTU – Beat on EPS and Revs** - "This was a strong quarter across the company. We continue to make progress on our strategy of becoming an A.I.-driven expert platform," said Sasan Goodarzi, Intuit's CEO. "Small Business Online Ecosystem revenue grew 35 percent, exceeding our target to grow 30 percent or more," said Goodarzi. "As we look forward to the upcoming tax season, we're focused on applying the learnings from the last year, including extension season, to deliver even better experiences for our customers."

#### Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ATKR	Atkore International	\$1.01	\$0.98	\$501.71	\$509.72	5.10%	
BKE	Buckle	\$0.53	\$0.43	\$224.10	\$217.78	4.20%	
FL	Foot Locker	\$1.13	\$1.08	\$1,932.00	\$1,935.09	3.90%	
FUTU	Futu Holdings	\$0.17	\$0.55	\$254.30	\$233.80	12.80%	
HIBB	Hibbett Sporting	\$0.32	\$0.15	\$275.50	\$260.75	27.00%	FY Above
SJM	J.M. Smucker	\$2.26	\$2.14	\$1,957.80	\$1,973.54	-3.20%	FY In Line