

## TOP STORIES

- China Plans Stronger Protections for IP Rights in Trade War Compromise
- Global Times: China, US 'Very Close' on Phase One Trade Deal
- German IFO Survey In Line, Industry Orders Still 'Not Satisfactory'
- Hong Kong Elections Deliver Landslide Win for Pro-Democracy Movement
- Merger Monday: Over \$65B in Deals Struck including LVMH/TIF, AMTD/SCHW, NVS/MDCO

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3118.75 (7.25)</b>	<b>9.31</b>
<b>Nasdaq</b>	<b>8307.5 (27)</b>	<b>29.45</b>
<b>Dow</b>	<b>27933 (71)</b>	<b>84.38</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7389.44</b>	<b>0.85%</b>
<b>DAX</b>	<b>13222.67</b>	<b>0.45%</b>
<b>Nikkei</b>	<b>23292.81</b>	<b>0.78%</b>
<b>Hang Seng</b>	<b>26993.04</b>	<b>1.5%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Chicago Fed</b>	<b>-0.20</b>
<b>10:30</b>	<b>Dallas Fed</b>	<b>-2.5</b>
<b>7:00</b>	<b>Jerome Powell Speaks</b>	

## FOREX

<b>EUR/USD</b>	<b>1.1015 (-0.05%)</b>
<b>USD/JPY</b>	<b>108.89 (0.23%)</b>
<b>USD/CAD</b>	<b>1.3297 (-0.03%)</b>
<b>GBP/USD</b>	<b>1.2873 (0.34%)</b>

## COMMODITY

<b>Oil</b>	<b>57.65 (-0.21%)</b>
<b>Natural Gas</b>	<b>2.582 (-3.11%)</b>
<b>Gold</b>	<b>1457.2 (-0.44%)</b>
<b>Copper</b>	<b>2.657 (0.35%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>12.34 (-6.02%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>15.60 (-2.92%)</b>
<b>Oil</b>	<b>OVX</b>	<b>32.38 (2.5%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>11.32 (-0.44%)</b>

## MARKET OUTLOOK

Futures are indicating a higher open for the morning after positive trade developments over the weekend. Maybe the biggest news of a busy weekend for headlines was China's willingness to impose stricter guidelines on protecting intellectual property rights, something the US has been pushing for a while. The Global Times out this morning also saying that both countries were close to a deal for Phase 1 and China was willing to discuss Phase 2 and 3 as well. Risks remains, however, until anything is signed. The unrest in Hong Kong and US response remains a point of interest for Beijing. HK elections this weekend gave pro-Democracy candidates a landslide win.

It was a big 'Merger Monday' with over \$65B in deals that should also boost sentiment. We saw the rumored **LVMH/Tiffany (TIF)** deal struck as well as the **Ameritrade (AMTD)/Schwab (SCHW)** deal. **Novartis (NVS)** reached a deal with **Medicine Co (MDCO)** as well. Other smaller deals involved **KL, CB, Asahi Kasei**, a \$4.5B deal for **Eneco, Altice Europe, PLD**, and others.

Asian markets were up strong to start the week with the Nikkei having its best day in two weeks. Machinery/construction names strong this morning while steel also an outperformer with **Pacific Metals** up over 4%.

European markets are higher as well in early trading today behind trade optimism. Merger Monday also giving the region a boost today. **LVMH** shares are up around 2%, their best day in three weeks, after agreeing to acquire TIF. Other luxury goods names like **Kering** and **Richemont** were both modestly higher. **Unicredit** higher by 2% after Italy's largest lender said it was in talks to lower its exposure to their Turkish JV. **Daimler** up around 1.5% after reports that BAIC Group was looking to boost their stake in the automaker.

Finally, turning to **economic data** this morning it was a quiet start to the week. Singapore CPI came in light at 0.4% vs 0.5%. German business expectations rose less than expected in November at 92.1 vs 92.5. Business climate remains somewhat stagnant with trade concerns.

## S&P TECHNICALS

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



**KEY EVENTS**

**Earnings After the Close:** A, AMBA, BECN, CAL, HPE, MTSC, NTNX, PANW, PVH

**Analyst Days:** SEDG, MBT, ZTO, PTC, Swiss Re

Tomorrow... Int'l Trade at 8:30 AM, Retail Inventories at 8:30, Case-Schiller at 9:00, New Home Sales at 10:00, Consumer Confidence at 10:00; **International Data:** China Industrial Profits, German Consumer Confidence, Hong Kong Exports, Swiss Employment; **Earnings Before the Open:** ANF, ADI, BNS, BBY, BITA, BURL, CHS, CBRL, DKS, DLTR, HRL, MOMO, TECD, TITN

**ANALYST ACTION/COMMENTS**

**Energizer (ENR)** upgraded to Neutral at JP Morgan

**JD.com (JD)** upgraded to Buy at Barclays

**Deckers Brands (DECK)** upgraded to Buy at Wells Fargo

**Wendy's (WEN)** upgraded to Buy at Stifel

**Pro Sight (PROS)** upgraded to Buy at Goldman

**First Energy (FE)** upgraded to Buy at Mizuho

**Nvidia (NVDA)** upgraded to Buy at MSCO

**EQT Midstream (EQM)** upgraded to Buy at CSFB

**Orange (ORAN)** upgraded to Buy at Societe Generale

**Wingstop (WING)** upgraded to Buy at Baird

**Zscaler (ZS)** upgraded to Buy at BAML

**Dicks Sporting Goods (DKS)** upgraded to Buy at BAML

**CACI** upgraded to Buy at Sun Trust

**Arrowhead (ARWR)** upgraded to Buy at Baird, \$70 PT

**Enbridge (ENB)** upgraded to Buy at UBS

**Hasbro (HAS)** upgraded to Buy at UBS, \$117 PT

**Prudential (PRU)** downgraded to Sell at Citi

**Netflix (NFLX)** downgraded to Sell at Wells Fargo

**Evergy (EVRG)** downgraded to Neutral at Evercore

**Rapt Therapeutics (RAPT)** initiated Buy at BMO Capital

**Canada Goose (GOOS)** initiated Buy at Barclays

**Lululemon (LULU)** initiated Buy at Barclays

**Chegg (CHGG)** initiated Buy at Morgan Stanley

**MEDIA HIGHLIGHTS**

**Netflix (NFLX)** internal data shows company not hurt by **Disney+ (DIS)** - Bloomberg

**Pfizer's (PFE)** new strategy 'worth another look,' - Barron's

Barron's cautious **I, ULTA, VMW, F, GM, TSLA**

**Peugeot** Aims to Sign **Fiat Chrysler (FCAU)** Merger Deal This Year – Reuters

Italy's Government Discussing Steel-Mill Plan With **ArcelorMittal (MT)** – Bloomberg

**Kirin** to sell Australian unit to **Mengniu** for \$460m - Nikkei

**Silver Lake** nears \$1.5B deal for background checks company **First Advantage** – Reuters

**Amazon (AMZN)** to open store on China's **Pinduoduo (PDD)** marketplace – Reuters

Japanese hotel group **Unizo** gets six new buyout offers to challenge **Blackstone (BX)** bid – Reuters

Traders Bet on Volatility Comeback in 2020 – WSJ

Carl Icahn to Seek Control of **Occidental Petroleum's (OXY)** Board – Bloomberg

Food giant **Goya** nixing a sale to **Carlyle Group** – NY Post

**Unilever (UN)** considering sale of PG Tips. Telegraph

Canada racks up 400-ton cannabis mountain after production binge (**ACB, CGC, TLRY**) – FT

**STOCK SPECIFIC NEWS OF NOTE**

**Tocagen (TOCA)** says Phase 3 trial did not meet primary, secondary endpoints

**Novartis (NVS)** to acquire **The Medicines Co. (MDCO)** for \$85 per share in all cash

Elon Musk announces 187,000 orders for **Tesla (TSLA)** Cybertruck in first three days

**HP (HPQ)** Rejects **Xerox (XRX)** Request to Open Books, Saying Health in Doubt

**Uber (UBER)** denied new operators license in London

**LVMH** to acquire **Tiffany (TIF)** for \$135/share

**Schwab (SCHW)** to acquire **TD Ameritrade (AMTD)** for \$26B in all-stock deal

**Chubb (CB)** to purchase additional 15.3% of **Huatai**

**Kirkland Lake (KL)** to acquire **Detour Gold** Corporation in about C\$4.9B deal

**PRE-MARKET MOVERS**

**Moving Higher:** MDCO 22.5%, TIF 6%, TSLA 4.5%, CLVS 4%, PDD 3.3%, NVDA 2.6%, JD 2.2%

**Moving Lower:** UBER -4.5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** ARMK, HSAC, MAC, AGO, INTC, KMI

**Selling:** EIDX, TCDA, COLM, BYND, LYFT, FB, CSCO, SWKS, LITE, AMZN, TWLO, WVE, QCOM

**POTENTIAL SYMPATHY TRADES**

**SIG, TPR, CPRI** – on TIF deal

**ETFC, IBKR** – on AMTD/SCHW deal

**OPTION HIGHLIGHTS (Prior Day)**

**Ollie's Bargain Outlet (OLLI)** with a size buyer of 2,000 December \$65 puts this morning for \$5.70 to \$5.90, trading 4X average volume and the most notable open interest in the name. Shares gapped lower on earnings in August and recently testing the gap around \$67.50 and rolling over. We got a bearish 8/20 EMA crossover this week and room back to \$55 and then new 1-year lows with a measured move to \$45. The \$4B retailer trades 27.6X earnings, 3X sales, and 51X cash. Estimates came down a bit last quarter but still seeing mid-teens EPS growth and revenue growth each of the next two years, lofty estimates. OLLI is coming off a weak quarter with the first negative comps as a public company, margin contraction, and a sizable cut to their outlook. OLLI is facing higher costs from supply chain optimizations as well as inventory issues stemming from a the rapid expansion of their footprint. Q4 will also be a tough comp. Short interest has risen to 14.9% of the float, up from around 5.5% in January and 9.6% in September. Hedge Fund ownership fell 50% in Q3. On 9-13, a director bought \$129k in stock at \$64.66. Analysts have an average target for shares of \$78 with 8 buy ratings and 3 hold. RBC upgrading to Outperform on 10-15 seeing long-term potential in the name although Q4 and Q1 likely to still be difficult. Loop Capital lowering their PT to \$75 and noting that there remains a lack of visibility going forward as management didn't foresee the problems in Q2 and could take some significant changes to right the ship. CSFB with a \$78 PT seeing last quarter as one of the biggest operational missteps they can recall for OLLI and while there's a lot of potential long-term it's a show-me story near-term.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.64	Multi-Month Lows
CBOE Index Put/Call Ratio	1.33	Rising – Cautious
CBOE Skew Index	127.46	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	69	Greed
NYMO	-21.76	Slightly Oversold
NYSE New Highs	36	Neg. Divergence
McClellan Summation	544.22	Below 8-EMA
Univ. of Michigan Consumer Sentiment	96.8 (November)	-0.7%

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

**IPO MONITOR**

Nothing Scheduled

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**PRU :**



**Prudential (PRU)** shares coiled under \$95 with a big gap from August that trails back to \$102+. MACD is crossing over bullish and RSI is back above 60 and not yet overbought.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Boston Beer (SAM)

**Price:** \$378.50

**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:** The \$4.51B spirits company has seen a transformative 2019 as it invested in seltzer through their Truly brands. They see a lot of investment in 2020 as they promote the brand. The outlook for 2020 remains strong while beer stabilizes a bit and even though they lose shelf space will continue to win on tickets.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**CXW:**



**CoreCivic (CXW)** shares near a breakdown of a multi-week range to new 1-year lows under \$15. A breakdown targets a measured move to \$13.50 with RSI under 40 and MACD with a bearish crossover recently.

## PAIR TRADE OF THE WEEK

**Industry:** Drugs

**Long/Short:** Long **Perrigo (PRGO)**, Short **Teva Pharmaceuticals (TEVA)**

**Analysis:** PRGO is undergoing a big 'self-help' plan with \$1B committed to changes in supply chain, innovation, and bolt-on deals. Their CEO bought \$1M in stock around \$64. TEVA is back around the declining 200-MA with overhangs from slowing growth, patent challenges, and the opioid settlements.

## SMALL CAP TRADE OF THE WEEK

**Axonics (AXNX)** is a \$625M provider of sacral neuromodulation solutions, specifically urinary urgency and incontinence products. They are coming off a strong quarter while they also got FDA approval for further indications of the r-SNM system. The company looks to gain in market share on Medtronic as it launches commercially.

## DAILY OPTIONS REPORT

### Unusual Call Activity

### Unusual Put Activity

### Implied Volatility Riser

Stage Stores (SSI)	Upwork (UPWK)	Verastem (VSTM)
Ally Financial (ALLY)	AMC Networks (AMCX)	Virgin Galactic (SPCE)
Pure Storage (PSTG)	USA Compression (USAC)	ChemoCentryx (CCXI)
Biohaven (BHVN)	Intra-Cellular (ITCI)	Axsome (AXSM)
Delphi (DLPH)	Foot Locker (FL)	Ally Financial (ALLY)
L Brands (LB)	Intuit (INTU)	Mellanox (MLNX)

### Lowest Put/Call Ratio

### Highest Put/Call Ratio

### Implied Volatility Decliner

Owens Illinois (OI)	Upwork (UPWK)	Adamis (ADMP)
Brown Forman (BFB)	PTC	Foot Locker (FL)
Alkermes (ALKS)	ZTO Express (ZTO)	Splunk (SPLK)
Altice (ATUS)	Hilton Grand (HGV)	Williams Sonoma (WSM)
Sanofi (SNY)	USA Compression (USAC)	Intel-Sat (I)
Toro (TTC)	Achillion (ACHN)	Ross Stores (ROST)

### OTM Calls on Offer

### OTM Puts on Offer

### Elevated IV30

NetApp (NTAP)	Dell Tech (DELL)	Wave Life Sciences (WVE)
Verastem (VSTM)	Clovis (CLVS)	Axsome (AXSM)
Freeport (FCX)	PG&E (PCG)	Constellation Pharma (CNST)
Las Vegas Sands (LVS)	Freeport (FCX)	SAGE Therapeutics (SAGE)
Nokia (NOK)	Nordstrom (JWN)	Forty Seven (FTSV)

### Positive Net Delta

### Negative Net Delta

### Option Volume Gainers (%)

US Steel (X)	Tesla (TSLA)	Foot Locker (FL)
Nordstrom (JWN)	Silver (SLV)	Intuit (INTU)
Facebook (FB)	Canopy (CGC)	Biohaven (BHVN)
Micron (MU)	Aurora (ACB)	Delphi (DLPH)
Baidu (BIDU)	Beyond Meat (BYND)	L Brands (LB)

### Bullish Call Flow

### Bearish Put Flow

### Large Spread Trades

Nutanix (NTNX)	Virgin Galactic (SPCE)	ANF, 1500 February \$15 synthetic long spreads
Stone (STNE)	ConAgra (CAG)	CAG, 10,000 December \$30 synthetic short spreads
Lululemon (LULU)	Cracker Barrel (CBRL)	ALNY, 2,000 January \$115/\$130 call spreads
CVS Health (CVS)	Domtar (UFS)	MRTX, January \$100/\$120 call spread bought 5000X
Twitter (TWTR)	Avis (CAR)	PSTG, January 2021 \$20/\$12.50 bull risk reversal 16k

## News Continued

Trump administration pushing new drug spending cap (**XLV**) – Axios

**WeWork** chairman lays out plans to be cash flow positive by 2023 – FT

**Chevron (CVX)** CEO plans major cost-cutting overhaul of production teams – Reuters

**Amazon (AMZN)** officially contests Pentagon's JEDI award to **Microsoft (MSFT)**- Reuters

**SoftBank, Ant Financial (BABA)** invest \$1B in India's **Paytm** – WSJ

**Apple (AAPL)** expects strong shipments for 5G iPhones – Digitimes

Qatar Targets 64% Jump in LNG Output Capacity by 2027 – Bloomberg

**Asahi Kasei** Unveils Deal to Buy **Veloxis** for \$1.3 Billion – Bloomberg

Q3 NAND Flash Revenue Grows 10% amidst Resurging Pre-Peak Season Demand – DRAMeXchange

Japan's **Mitsubishi** beats **Shell (RDS/B)** to buy Dutch power firm **Eneco** for \$4.5B – Reuters

**Altice Europe** to buy telecoms fiber company **Covage** for \$1.1B – Reuters

Norway wealth fund, **Prologis (PLD)** in \$2B real estate acquisition – Reuters

China's electric vehicle market to see sales rebound next year (**TSLA, NIO**) – Reuters

Aerospace suppliers prepare for prolonged grounding of **Boeing's (BA)** 737 MAX – Reuters

**Disney's (DIS)** Frozen 2 hits \$127m at Box Office, topping estimates – Hollywood Reporter

**BAIC Group** signals intention to add to **Daimler** stake – Reuters

**General Electric (GE)** names Carolina Dybeck Happe as CFO

**Sorrento Therapeutics (SRNE)** rejects unsolicited all cash acquisition proposal

**Ecopetrol (EC)** to invest an expected \$4.5B to \$5.5B in 2020, 25% to 53% higher than 2019

**XPO Logistics (XPO)** to purchase all shares in XPO Europe held by Elliott Capital

**Bio-Rad (BIO)** wins injunction vs **10X Genomics (TXG)** in Germany over GEM microfluidic chips

## Extras

**Companhia de Saneamento (SBS)** with 10,000 January \$15/\$17.50 call spreads bought late for \$0.15, shares working off the rising 200-MA

**Western Digital (WDC)** also seeing 3,500 March \$45 puts sold to open for \$3.20 to \$3.15

**Beyond Meat (BYND)** buyers of 2,500 December 6th (W) \$77.50/\$72.50 put spreads for \$1.73

**Canopy Growth (CGC)** with 10,000 June \$27.50 calls bought for \$1.57 as the January \$32.50 calls adjust down and out

**Pepsi (PEP)** afternoon buyer of 1,500 March \$135 calls for \$3.95

**Kohls (KSS)** buyer of 2,050 January \$50 calls for \$1.25 in a stock replacement

**E-Trade (ETFC)** buyers of 2,200 November 29<sup>th</sup> (W) \$42 calls up to \$1.05

**Health Insurance Innovations (HIIQ)** with 1,000 January \$19 calls bought up to \$2.35

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
JEC	Jacobs	\$1.48	\$1.31	\$3,392.86	\$3,294.40	13.40%	
<b>Tonight After the Close</b>							
A	Agilent		\$0.86		\$1,331.82		
AMBA	Ambarella		\$0.21		\$65.00		
BECN	Beacon Roofing		\$1.21		\$2,053.89		
CAL	Caleres		\$0.83		\$819.97		
GBDC	Golub Capital		\$0.32		\$58.40		
HPE	HP Enterprise		\$0.46		\$7,409.75		
MTSC	MTS Systems		\$0.39		\$218.07		
NTNX	Nutanix		-\$0.75		\$306.42		
PANW	Palo Alto Networks		\$1.03		\$769.34		
PVH	PVH		\$2.99		\$2,541.05		
SR	Spire		-\$0.52		\$243.86		