

TOP STORIES

- Ross Says U.S., China Making 'Good Progress' in Trade Talks, Phase 1 on Track
- Ross says Permanent Licenses for Huawei Suppliers Possible Soon
- Ross says U.S. May Not Need to Put Tariffs on European Cars
- Asia-Wide Trade Pact on Course
- McDonalds CEO Fired Over Relationship with Co-Worker
- Under Armour Subject of Federal Accounting Probe into Revenue Recognition

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3077.75 (14.5)	13.24
Nasdaq	8208 (47.75)	42.83
Dow	27385 (126)	105.64

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7385.08	1.13%
DAX	13114.16	1.18%
Nikkei	Closed - Holiday	
Hang Seng	27547.3	1.65%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
	Motor Vehicle Sales	
10:00	Factory Orders	
2:30	Lagarde Speech	

FOREX

EUR/USD	1.1164 (-0.01%)
USD/JPY	108.42 (0.23%)
USD/CAD	1.3147 (0.10%)
GBP/USD	1.292 (-0.11%)

COMMODITY

Oil	56.72 (0.93%)
Natural Gas	2.829 (4.25%)
Gold	1513.1 (0.11%)
Copper	2.6635 (0.40%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.30 (-6.96%)
Nasdaq	VXN	16.27 (-6.28%)
Oil	OVX	34.37 (-4.10%)
Gold	GVZ	12.86 (-3.96%)

MARKET OUTLOOK

Futures are indicating a higher open to kick off the week with US/China trade hopes lifting global markets. Comments from Wilbur Ross over the weekend at a summit in Thailand are driving the optimism. He signaled the two sides are close to a Phase 1 deal and also noted that permanent licenses for Huawei components could be coming soon. Ross met with Chinese Premier Li Keqiang in a sign that mid-level talks are advancing. In a Bloomberg interview, Ross said the two sides could sign a deal in either the US or China soon. Relatedly, Ross said that the US may not need tariffs on imported autos after talks with the EU, Japan and others. In Washington, a new poll shows 49% of Americans want the President impeached and removed from office (up slightly M/M). Speaker Pelosi was optimistic on Friday that the USMCA can be passed soon.

Asian markets are higher this morning with US/China talks boosting optimism. Some concern remains about the December tariffs which Kudlow said on Friday would remain on the table but could be lifted. The US could hold another round of talks with North Korea as soon as mid-November, per Reuters. Japanese markets were close for Culture Day. Australian retail sales fell -0.1% in Q4, below forecasts.

European markets are soaring this morning back near two-year highs with the DAX up over 1.2%. Autos are rallying up 3% with the threat of tariffs down a bit. **FCAU/PSA** also aiming to sign their merger agreement by December. **BMW** up 2.2%. **Siemens Healthineers** up 5.5% to a new high after earnings and raised outlook for Q4. **Ryanair** up 6.5% after the budget airline topped estimates. Eurozone Sentix investor confidence was better than feared in November at -4.5 vs -13.8. Manufacturing PMI also beat at 45.9 vs 45.7 for October. Germany, France, Italy, and the UK all beat as well. Spain the outlier down to 46.8 vs 47.5 forecast. Christine Lagarde will give her first speech as head of the ECB later today (2:30pm).

S&P TECHNICALS

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



5617 Advancing	Declining 1804
71.4%	22.9%
772 New High	New Low 114
87.1%	12.9%
5158 Above SMA50	Below 2609
66.4%	33.6%
4724 Above SMA200	Below 3043
60.8%	39.2%

KEY EVENTS

Earnings AMC: BHF, CBT, CC, CHGG, DIOD, DOOR, ETH, EVER, FICO, FN, GPRN, HIG, HTZ, IFF, JKHY, KMT, MAR, MDRX, MOS, NBIX, NSTG, O, OXY, PI, PRU, QTS, RMBS, RNG, SHAK, SHO, SNCR, THC, UBER, VAC, VECO

Analyst Day: FRC, ADBE

Conferences: Gabelli Auto Forum

Tomorrow... Int'l Trade at 8:30 am, PMI Services at 9:45, ISM Non-Manufacturing at 10:00, JOLTs at 10:00

Earnings BMO: AMRN, ARNC, AFI, ATRO, ATH, ATHM, AVNS, AVTR, BCPC, BDX, BPMC, BMCH, CCTL, CHK, CHH, CNK, CEIX, CWSI, EMR, ENDP, NPO, EXPD, FIS, FI, FTDR, GEO, GSKY, GSX, HLNE, HSIC, ICPT, IPI, JLL, LAMR, LCII, LGIH, LPX, MNK, MYL, NEM, NOVT, NS, OCN, OXFD, PTON, PBI, PPL, PINC, RCM, RPD, REGN, SERV, SSTK, SRC, SXC, TPR, TLRA, THR, TA, TRVG, UNVR, USFD, USAC, VRTV, VIRT, VST, WBT, WLK, ZBH

ANALYST ACTION/COMMENTS

ONEOK (OKE) upgraded to Buy at Goldman

US Cellular (USM), Telephone and Data (TDS) upgraded to Overweight at JP Morgan

Marvell (MRVL) upgraded to Buy at Wells Fargo

Fiat (FCAU) upgraded to Buy at HSBC

Parker Hannifin (PH) raised to Neutral at Gordon Haskett

Blackberry (BB) upgraded to Neutral at BAML

Bluebird (BLUE) upgraded to Outperform at Wedbush

Hollysys (HOLD) upgraded to Buy at Goldman

Universal Insurance (UVE) downgraded to Sell at Keefe

Delphi (DLPH) downgraded to Neutral at Barclays

Papa Johns (PZZA) downgraded to Hold at Jefferies

Flir Systems (FLIR) downgraded to Neutral at Imperial

Harley (HOG) downgraded to Sell at Keybank

Verizon (VZ) downgraded to Neutral at Nomura

McDonalds (MCD) downgraded to Neutral at Piper

Santander (SC) downgraded to Neutral at UBS

Olin (OLN) downgraded to Hold at Sun Trust

DocuSign (DOCU) initiated Buy at Evercore ISI

Allogene (ALLO) initiated Buy at Canaccord

MEDIA HIGHLIGHTS

Saudi Aramco IPO could be worth \$1.5T or less - Bloomberg

Governor Newsom warns of potential state takeover of **PG&E (PCG)** - WSJ

Under Armour (UAA) subject of federal accounting probe; Co is participating - WSJ

Delta (DAL) may pull out of Alitalia bidding - Bloomberg

Infosys (INFY) says no evidence for whistleblower complaints - FT

Takeaway Makes **Just Eat** Offer More Flexible - Bloomberg

Deutsche Bank (DB) Regulators Urge CEO Sewing to Cut Responsibilities - Bloomberg

VW's Traton Joins Rivals In Warning Demand for Trucks Is Souring - Bloomberg

Silver Lake seeks to acquire major stakes of **NY Knicks, Rangers (MSG)** - NY Post

JPMorgan (JPM) pours \$130B of excess cash into bonds in major shift - FT

Santander buys stake in fintech **Ebury** for £350m - FT

Investors frustrated by lack of capital return from big oil (**XOM, CVX**) - WSJ

China's \$2.7B takeover of Genworth (GNW) heading towards the unknown - WSJ

STOCK SPECIFIC NEWS OF NOTE

Gilead (GILD) to exercise warrant to increase **Galapagos (GLPG)** ownership to 25.1%

Primoris (PRIM) CEO David King to step down

Proofpoint (PFPT) to acquire ObserveIT for \$225M in cash

McDonald's (MCD) dismisses CEO Steve Easterbrook

Huazhu Group (HTHT) announces acquisition of Deutsche Hospitality for €700M

Aphria (APHA) doubles production capacity after receiving cultivation license

IAG to Buy Spanish Carrier **Air Europa** for \$1.1 Billion

Berkshire Hathaway (BRKB) earnings top estimates; cash balance jumps to record \$128.2B; Buffett unable to find strong candidates to deploy cash

Wright Medical (WMGI) to be acquired by **Stryker (SYK)** for \$30.75 per share in cash

PRE-MARKET MOVERS

Moving Higher: WMGI 7%, UNG 4.5%, RACE 4.5%, BB 3.5%, FCAU 3.4%, RIO 3.2%, DB 2.8%

Moving Lower: UAA -17%, MCD -2.8%

INSIDER TRADING (Form 4 Filings)

Buying: FDX, TRN, TNET, ECA

Selling: NVEE, PATK, PCAR, EW, FN, ARWR, TSLA, EHTH, SIRI, TDOC, TREX, SEM, IPG, PODD

POTENTIAL SYMPATHY TRADES

ZBH, IART, SNN, EW, ATEC – on WMGI/SYK deal

ACIA, NPTN, LITE, IIVI – on Huawei license momentum

OPTION HIGHLIGHTS (Prior Day)

Encompass Health (EHC) today with 1500 April \$75/\$65 bull risk reversals opening for a \$0.30 debit which follows some recent November call buying with 1,190 of the \$65 remaining in open interest. EHC this week are working out of a 10 month base of 11 points that targets a move up to around \$80. It reported results this week beating on EPS and Revenues, the latter rising 8.8% Y/Y. The \$6.3B provider of facility and home-based healthcare services trades 17.5X Earnings, 23X FCF and 10.8X EV/EBITDA. EHC also yields a 1.75% dividend and sees steady 5%+ top-line growth the next few years. EHC has 132 inpatient rehab centers, 245 home health locations and 82 hospice locations. The growth in Medicare population is seen as a key demographic tailwind. Analysts have an average target of \$75 and short interest low at 1.9% of the float. BAML raised shares to Buy in early September with a \$73 target noting 2020 will be a reset year but sees it already priced into shares and sees the company well positioned to adjust to the home health reimbursement chargers with little exposure to Medicare for All headline risk. Stephens is at Overweight with a \$77 target seeing solid growth potential from EHC's joint venture with acute care hospitals. Hedge Fund ownership fell 11% in Q2 filings, Point 72 adding to its position.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.658	Falling
CBOE Index Put/Call Ratio	1.33	Elevated – Cautious
CBOE Skew Index	126.88	Elevated
VIX Curve	Contango	Normal
CNN Fear & Greed Index	80	Extreme Greed
NYMO	17	Slightly Overbought
NYSE New Highs – New Lows	375	Strong but Below July
McClellan Summation	706.86	Above 8-EMA
Univ. of Michigan Consumer Sentiment	95.5 (September Final)	Fading

SMART MONEY (13g/13d Filings)

IPO MONITOR

GFL Environmental (GFL) issuing 87.5M shares at \$20-\$24; Diversified environmental services company

A number of small/micro cap names including **YAYO, QK, KRKR**; and biotech **CNSP, CNTG, ENTB, GRTX, TELA**

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

AMD:



Advanced Micro (AMD) shares are clearing a big weekly bull flag above \$35.50 with a long-term measured move out to \$42. MACD is just about to cross over bullish and RSI is above 60 and out of a clear downtrend, ready to run and continue the long-term bull trend.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Datadog (DDOG)

Price: \$34

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock					
Industry Avg.					

Analysis: The \$9.86B recent IPO trades 4.22X EV/sales with estimates looking for 40% and then 31% revenue growth the next two years. They expect to be profitable in FY22. DDOG is a leader in a field of emerging cloud monitoring applications which provide analytics across a companies servers, databases, tools, and other spaces. The company has a significant runway for growth with most companies in the early innings of cloud migration. DDOG has strong dollar-based retention rates and growing customers with over \$100k ARR>

IDEAS

WEEKLY TECHNICAL BREAKDOWN

RUN:



Sun-Run (RUN) shares forming a large head-and-shoulders pattern above \$14.65 and recent lows with a breakdown targeting new year-to-date lows. On the daily, a bear flag forming under cloud resistance and the declining 20- and 50-MA just above as resistance.

PAIR TRADE OF THE WEEK

Industry: Spirits

Long/Short: Long **Boston Beer (SAM)**, Short **Brown-Forman (BF.B)**

Analysis: SAM is executing well with better cost discipline and investments paying off in the hot seltzer market. BF/B has traded well and near new highs for the year but stretched valuation (~34X) and recent export data showing an impending slowdown in US whiskey exports to Europe which could create pressure.

SMALL CAP TRADE OF THE WEEK

US Concrete (USCR) shares forming a bull flag just below new 1-year highs and strong relative performance all year. The \$870M provider of building materials like ready-mixed concrete trades 15.5X earnings, 0.59X sales, and 11X FCF. USCR has focused on debt-reduction this year as well as productivity initiatives. They've had some weather-related issues recently but strong history into earnings on 11-8, higher four of the last five.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Wright Medical (WMGI)	Innoviva (INVA)	Wright Medical (WMGI)
NeoPhotonics (NPTN)	Arista (ANET)	Endo (ENDP)
Century Aluminum (CENX)	Clearway (CWEN)	Immersion (IMMR)
Innoviva (INVA)	Wright Medical (WMGI)	Foamix (FOMX)
Sunoco (SUN)	Uniti (UNIT)	Innoviva (INVA)
Sogou (SOGO)	Pinterest (PINS)	Sogou (SOGO)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
BenefitFocus (BNFT)	Glaukos (GKOS)	Fitbit (FIT)
Genomic Health (GHDX)	Commscope (COMM)	Floor & Décor (FND)
Eldorado (ERI)	Celestica (CLS)	Moneygram (MGI)
TradeWeb (TW)	Wex (WEX)	Avis (CAR)
Agile Therapeutics (AGRX)	Immersion (IMMR)	Alteryx (AYX)
NeoPhotonics (NPTN)	Medifast (MED)	El Pollo Loco (LOCO)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Qurate (QRTEA)	Agilent (A)	Solid Bio (SLDB)
Sonos (SONO)	Cara Therapeutics (CARA)	Axsome (AXSM)
Xilinx (XLNX)	Ulta Beauty (ULTA)	Wave Life (WVE)
Cronos (CRON)	Bank of America (BAC)	Covetrus (CVET)
Alteryx (AYX)	Citi (C)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Sprint (S)	Fitbit (FIT)	Clearway (CWEN)
Apple (AAPL)	Silver (SLV)	Wright Medical (WMGI)
Uber (UBER)	Tesla (TSLA)	Uniti (UNIT)
Advanced Micro (AMD)	HP (HPQ)	Sunoco (SUN)
Alibaba (BABA)	Energy Transfer (ET)	Sogou (SOGO)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Wright Medical (WMGI)	Eli Lilly (LLY)	EHC, 1500 April \$75/\$65 bull risk reversals
Extreme Networks (EXTR)	Ring Central (RNG)	EL, 1,100 December \$200/\$210/\$170/\$165 iron condors
Scientific Games (SGMS)	Intel-Sat (I)	NYCB, 5000 April \$12/\$11 strangles sold
Dell Tech (DeLL)	Medifast (MED)	WEX, February \$185/\$160 put spreads open over 2000X
Century Aluminum (CENX)	Abbott Labs (ABT)	HUBS, November \$165/\$175 call spread bought 2600X

Stock Specific News

Barron's positive on **T, SLB, ABBV, SPG, IRM**

Boeing (BA) planning own demonstrations of 737 safety to calm customers – WSJ

Malaysian government rejects **Goldman's (GS)** settlement offer – FT

Fiat Chrysler (FCAU), Peugeot could sign merger deal as soon as December - Reuters

Ryanair's O'Leary Sees 'Challenging' Winter – Bloomberg

NHTSA probing **Tesla (TSLA)** batteries for potential defects - NY Times

Apple (AAPL) may unveil AR headsets in 2H20 – Digitimes

Freeport (FCX) turns to AI to raise copper output by 90,000 tons – FT

Judge rejects **Uber (UBER)** suit opposing NYC vehicle license caps – Reuters

Iberiabank (IBKC), First Horizon (FHN) to combine in all-stock merger of equals

Genesco (GCO) CEO to step down

Halozyne (HALO) says HALO-301 Phase 3 study fails to meet primary endpoint

Extras

Regional Banks (KRE) buyer of the January \$52/\$47 put spread 30,000X

Alibaba (BABA) late day buyers of 10,000 December \$175 calls up to \$8.15

Exelixis (EXEL) buyers today of 1,000 May \$20 calls from \$1.20 to 1.25

Extreme Networks (EXTR) afternoon buyers also opening 1,000 March \$5 calls for \$1.85

Party City (PARTY) earnings on 11-7 and 3,000 November \$5/\$7.50 call spreads bought late for \$0.85

American Axle (AXL) buyers of 5,000 April \$8 puts for \$0.75 to \$0.80 and also 1,340 April \$10 puts bought for \$1.60

National Retail (NNN) buyer of 2,500 December \$55 puts for \$0.55

Equity Residential (EQR) buyers into the close of 1,375 November \$87.50 puts for \$0.90

Carnival (CCL) buyers of 1,465 November \$43 puts for \$0.70/\$0.75 into the close

Glaukos (GKOS) late day buyer of 1000 November \$65 puts for \$3.30, tied to stock

Immersion (IMMR) with 3,000 November \$10 puts bought from \$1.90 to \$2.15 into the close

Comcast (CMCSA) on Friday with 1,100 January 2021 \$47.50 puts sold to open for \$6.10 and follows buyers in the November 29th (W) \$45 calls, December \$42.50 calls, and November \$45 calls over the last week. CMCSA also has size bullish open interest in the June 2020 and January 2021 options. Shares are in a strong long-term trend and bouncing off support last week around \$44. A move above \$45.50 targets a move back above \$47. The \$204B company trades 13X earnings, 1.8X sales, and 17.6X FCF with a 1.88% yield. CMCSA is coming off a strong quarter with continued strength in broadband which is helping offset weakness in video. The company recently announced their upcoming streaming service, Peacock, and potential for an ad-supported version which will help mitigate some of the issues in video. Analysts have an average target for shares of \$50.50. MSCO positive on 10-25 with a \$53 PT. The firm thinks CMCSA is in a unique position with rising returns on invested capital as margins improve and capital intensity falls. Guggenheim positive with a \$57 PT and the firm expects free cash flow to improve given the combination of lower capex intensity and moving past film and TV working capital headwinds. Short interest is 1.6%. Hedge fund ownership rose 0.6% in Q2.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BHC	Bausch Health		\$1.09		\$2,155.35		
CYOU	Changyou.com	\$0.64	\$0.43	\$110.84	\$91.05	8.50%	
COHU	Cohu	\$0.12	\$0.00	\$143.50	\$142.99	66.50%	
EOLS	Evolus		-\$1.14		\$4.00		
RACE	Ferrari	\$0.90	\$0.86	\$915.00	\$889.08	9.20%	Raises FY
FE	FirstEnergy	\$0.80	\$0.73	\$3,000.00	\$2,914.91	3.40%	FY In Line
GCI	Gannett	\$0.12	\$0.06	\$635.60	\$670.56	-10.70%	Lowers Outlook
HUD	Hudson		\$0.28		\$533.87		
NSP	Insperty		\$1.01		\$1,037.55		
KOS	Kosmos Energy	\$0.04	-\$0.01	\$357.00	\$349.03	42.70%	
LANC	Lancaster Colony		\$1.24		\$333.31		
MMYT	MakeMyTrip	-\$0.22	-\$0.22	\$181.08	\$179.99	13.10%	
PRIM	Primoris Services	\$0.70	\$0.67	\$865.10	\$888.30	-4.90%	
RBC	Regal-Beloit	\$1.35	\$1.33	\$772.30	\$808.49	-16.50%	FY Below
SPNS	Sapiens Int'l	\$0.21	\$0.19	\$82.64	\$81.68	12.80%	Raises FY
SOGO	Sogou	\$0.10	\$0.07	\$314.90	\$309.07	13.80%	FY Light

SOHU	Sohu.com	-\$0.43	-\$0.75	\$482.30	\$449.43	8.60%	
SUP	Superior Ind	-\$0.57	-\$0.22	\$352.00	\$336.93	1.30%	
SYT	Sysco		\$0.97		\$15,530.48		
TRS	Trimas		\$0.50		\$241.92		
UAA	Under Armour	\$0.23	\$0.19	\$1,429.46	\$1,415.46	-0.90%	FY In Line

Earnings Preview

Yelp (YELP) will report earnings on 11/7 after the close with the Street looking for \$0.19 on \$262.35M in sales, a 8.8% increase Y/Y. Next quarter is guided to \$0.32 on \$278.01M while the FY is \$0.67/\$1.02B. Shares have closed lower four of the last six with an average closing move of 13.5% but the current quarter is pricing at +/- \$4.10 or 11.67%. The \$2.45B company trades 33.6X earnings, 2.5X sales, and 14.6X FCF and has traded flat for the year. YELP has raised estimates throughout the year and now sees EPS accelerating into 2021 while revenues expected to grow at 12% and 11.1% respectively the next two years. YELP has been a volatile story in 2019 with activist SQN challenging the company to explore a sale early on but dropping its challenge in March after the company unveiled a series of initiatives to improve returns. Those goals include an ambitious target for double-digit revenue growth for the next five years, a \$500M buyback, and board changes. YELP is also undergoing CFO transition and has sale rumors over the last two months. So, a lot of expectations built into the name and could see an outsized move. Analysts have an average target for shares of \$39. Sun Trust out on 11-3 noting they see a high chance of a big shakeup ahead. The analyst thinks the long-term guidance is aggressive and the business model has been tinkered with a lot to no avail. Given that buybacks may not be enough and the company doesn't have a lot of levers to pull, a real change like a significant partnership, leadership change, or sales are likely. He also notes the rumored Groupon/YELP deal makes a lot of sense. Short interest is 12% and down from around 15.7% in September. Hedge fund ownership fell 4.5% in Q2. Prescott General a top holder with 4.95M shares.

