

MARKET BLITZ – December 10th, 2019

Prepared Exclusively by alex@optionshawk.com

TOP STORIES

- Congress Targets China with Defense Bill
- Articles of Impeachment Against Trump Expected Today
- U.S. Small-Business Gauge Posts Largest Gain in More Than a Year

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3125.25 (-9.25)	-10.86
Nasdaq	8325.25 (-30.25)	-39.49
Dow	27803 (-99)	-123.6

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7160.59	-1.01%
DAX	12917.58	-1.43%
Nikkei	23410.19	-0.09%
Hang Seng	26436.62	-0.22%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
	FOMC Begins	
8:30	Productivity and Costs	
8:55	Redbook	

FOREX

EUR/USD	1.108 (0.16%)
USD/JPY	108.54 (-0.01%)
USD/CAD	1.324 (0.02%)
GBP/USD	1.3174 (0.25%)

COMMODITY

Oil	58.74 (-0.47%)
Natural Gas	2.232 (-0.01%)
Gold	1470.7 (0.40%)
Copper	2.7665 (0.30%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.04 (17.77%)
Nasdaq	VXN	18.21 (10.52%)
Oil	OVX	30.02 (-0.01%)
Gold	GVZ	10.75 (0.20%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning as nerves over trade continue. There was nothing really new overnight but the lack of progress ahead of the tariff deadline this weekend is causing anxiety and any idea that Phase One could be done by year-end is slowly vanishing. The new soft deadline being discussed is 1/24 which is the start of Chinese New Year (this would push the headline-driven trade talks out another month). Meanwhile, Congress is looking to pass a bill that would ban federal funds from being used to buy Chinese buses and railcars, a move that probably isn't helping trade talks. In the US, the new NAFTA is near passage. Articles of impeachment will be formally unveiled today.

Asian markets finish the morning lower with caution ahead of the US tariff deadline. Financials and staples weakest while healthcare was up almost 1% in a sign of strength. **Daichi Sankyo** was up almost 4%. The Nikkei basically flat on the day although breadth was weak.

European markets are lower this morning for the second straight session. Germany's DAX is the laggard down almost 1.5%. The FTSE is also weak ahead of Thursday's election. **Ashtead** down 7.5% after the equipment rental company announced a restructuring. Apparel maker **Ted Baker** down 17% after its CEO stepped down, they cut the outlook again, and suspended the dividend. Auto parts company **Valeo** down 4.5% after weak mid-year outlook. **Sanofi** a bright spot up 5% after announcing a business refresh. **Deutsche Bank** opened higher with their analyst day but is now in the red. **Computacenter** up 5.25% after a positive outlook update.

Turning to **economic data** overnight... China CPI came in at 4.5% in November, a slightly higher print than expected. New loans grew in the latest reading while outstanding growth was 12.4%, better than expected. EU economic sentiment came in much better than forecast at 11.2 vs -17.7. German sentiment was upbeat as well. UK GDP rose to 0.7% in the latest revision, better than feared. UK Industrial production was a bit weak (Italy as well).

S&P TECHNICALS

Levels: Support 3,100/3,000; Resistance 3,200/3,250



3216 Advancing	Declining 4158
41.0%	53.0%
294 New High	New Low 86
77.4%	22.6%
5106 Above SMA50	Below 2637
65.9%	34.1%
4839 Above SMA200	Below 2904
62.5%	37.5%

KEY EVENTS

Earnings After the Close: PLAY, GME, OLLI

Analyst Days: NUAN, DESP, ENB, THS, ACM, OMCL, Thyssenkrupp, Sanofi, Deutsche Bank

Conferences: Raymond James Tech, UBS TMT, Citi Consumer, Goldman Financial Services

Tomorrow... CPI at 8:30am, Crude Inventories at 10:30, FOMC statement at 2:00pm, Powell Press Conference at 2:30.

Earnings BMO: AEO, PLAB, PLCE, UNFI, VRA

ANALYST ACTION/COMMENTS

State Street (STT) upgraded to Buy at Keefe Bruyette

Hess Corp (HES) upgraded to Neutral at JP Morgan

Devon (DVN) upgraded to Buy at JP Morgan

Wesco (WCC) upgraded to Strong Buy at Raymond James

Owens-Illinois (OI), Parker Hannifin (PH), ITT, Bunge (BG) upgraded to Buy at Goldman Sachs

Masco (MAS) upgraded to Buy at Keybank

Prologis (PLD) upgraded to Buy at Wells Fargo

STAG Industrial (STAG) upgraded to Buy at Wells Fargo

ABB upgraded to Buy at UBS

Monroe (MNRO) upgraded to Buy at Guggenheim

Solaris (SOI), Liberty Oil (LBRT) upgraded to Buy at Citi

Redfin (RDFN) upgraded to Buy at DA Davidson

Fire-Eye (FEYE), Zscaler (ZS) cut to Neutral at Piper

JP Morgan (JPM) downgraded to Neutral at Keefe

CF Industries (CF) downgraded to Sell at Bernstein

Gardner Denver (GDI) downgraded to Neutral at BTIG

Church & Dwight (CHD) downgraded to Sell at JP Morgan

McCormick (MKC) downgraded to Sell at Goldman

Int'l Paper (IP), Packaging Corp (PKG) downgraded to Sell at Goldman

Netflix (NFLX) downgraded to Sell at Needham

Public Storage (PSA) downgraded to Sell at Wells Fargo

CSX downgraded to Neutral at Citi

MEDIA HIGHLIGHTS

McAfee weighs combination with **NortonLifeLock (NLOK)** – WSJ

Deutsche Bank (DB) boosts revenue target for investment bank - FT

Whistleblower to say **Boeing (BA)** 737 MAX was 'riddled' with production issues – NYT

Malaysian PM 'hopeful' of 1MDB deal with **Goldman Sachs (GS)** – Reuters

Fannie Mae (FNMA), Freddie Mac (FMCC) pull back on some loans – WSJ

Trump puts Tokyo under pressure to choose **Lockheed Martin (LMT)** over rival **BAE** – FT

Amazon (AMZN) secures Champions League rights for Germany – Reuters

CBOE Holdings (CBOE) to acquire equities clearing house EuroCCP – Reuters

Fidelity Cuts Its Valuation of **Juul** to New Low – Bloomberg

Uber (UBER) Nears Deal for Self-Driving Car Simulation Startup – The Information

Harmony, Impala Platinum, and Sibanye (SBGL) cut production due to power outages – Reuters

STOCK SPECIFIC NEWS OF NOTE

Lululemon (LULU) COO to step down

Stitch Fix (SFIX) CFO leaving company

Pershing Square reveals stake in **Agilent (A)**

Raging Capital urges **Popular (BPOP)** to take 'aggressive action' to unlock value

Supernus (SUPN) updates Phase 3 SPN-810 study

Upwork (UPWK) CEO to step down

Ford (F) expects to roughly halve 2018 China EBIT loss

TSMC (TSM) reports November revenue up 9.7%

HD Supply (HDS) November sales up 2.5%

Sanofi (SNY) to exit diabetes research to focus on specialty disease areas like cancer; **SNY** may sell **Regeneron (REGN)** stake

Amneal Pharmaceuticals (AMRX) to acquire 65.1% interest in AvKARE for \$340M

PRE-MARKET MOVERS

Moving Higher: NLOK 4%

Moving Lower: DBI -16%, NFLX -2%

INSIDER TRADING (Form 4 Filings)

Buying: EPD, IMMU, CNNE, HSAC

Selling: INTC, NEW, MORN, GPI, EXPO

POTENTIAL SYMPATHY TRADES

AAP, ORLY, GPC – on AZO earnings

OPTION HIGHLIGHTS (Prior Day)

Barrick Gold (GOLD) sweep buyers of 8,800 February \$17 calls up to \$0.94 to open and follows buyers recently in the January \$17 and \$18 calls where OI has swelled to 53,750X and 19,000X respectively. GOLD has also seen buyers in the longer-dated Jan. 2022 \$17 calls of note. GOLD shares rallied sharply in May through September and pulled back just above the 50% retracement where they have based since mid-October. A move out of this rounded bottom above \$17.50/\$18 targets recent highs and then continuation to \$24. The \$30.5B company trades 23.3X earnings, 3.5X sales, and 12.7X cash with a 1.2% yield and room for significant top and bottom line expansion next year as they lap the one-year mark of their merger. The New Barrick has better FCF behind improved production costs as well as better capital deployment as they invest in data analytics to plan operations and decision-making. They made a significant new discovery in September at their Fourmile mine which could re-shape their entire Nevada operations. GOLD has also been active in asset divestitures and agreed to sell their Super Pit mine share for \$750M in November. Short interest is 1.6%. Hedge fund ownership rose 8.4% in Q3. Slate Path, Adage Capital, and Lomas all top holders. Analysts have an average target for shares of \$16.5. RBC assuming coverage at Outperform on 12-4 with a \$20 PT. They expect a positive year-end resource update from the company as a driver higher and in 2020 their Nevada JV and ongoing exploration success at Fourmile have the potential to be key value drivers. In November, the CEO also said that he wants to explore more deals to expand in copper in 2020 as he views the demand balance for the metal skewed towards producers for the next 5-10 years.

AFTER HOURS MOVERS

Gainers: SFIX 12%, SUPN 10%, MDB 8.4%, NLOK 3.5%, A 3%, MTN 3.1%

Losers: LVGO -5.5%, CASY -4.8%, REGN -2.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.63	Falling
CBOE Index Put/Call Ratio	1.32	Elevated
CBOE Skew Index	131.48	Multi-Month Highs
VIX Curve	Contango	Normal
CNN Fear & Greed Index	70	Greed
NYMO	10.34	Neutral
NYSE New Highs	112	Neg. Divergence
McClellan Summation	459.83	Below 8-EMA
Cumulative AD	New Highs	Confirm Strength
VXV:VIX	1.19	Neutral
Lipper Fund Flows	+\$5B	Remains Strongly Neg. YTD
Univ. of Michigan Consumer Sentiment	99.2 (December)	+0.9%

SMART MONEY (13g/13d Filings)

IPO MONITOR

Bill.com (BILL) issuing 8.8M shares at \$16-\$18; Provider of cloud-based software that simplifies back-office functions for SMBs

OneConnect (OCFT) issuing 36M shares at \$12-\$14; TaaS platform for financial institutions in China

Sprout Social (SPT) issuing 8.8M shares at \$16-\$18; Developer of cloud software that brings together messaging, data, and workflows in a unified system of record

XP (XP) issuing 72.5M shares at \$22-\$25; Leading financial services company in Brazil

SECONDARY MONITOR

Aurinia (AUPH) prices 11.1M secondary at \$15

TRADE

WEEKLY TECHNICAL BREAKOUT

EXP :



Eagle Materials (EXP) shares are forming a bull wedge back to the October breakout level with a move over \$94 targeting recent highs and then \$100. MACD is nearing a bullish crossover after pulling back near zero while RSI also ready to run above 60.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Aspen Tech (AZPN)

Price: \$122.20

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	31.8X	13.9X	21.2X	25.8X	34.8X
Industry Avg.	31.8X	7.2X	7.2X	58X	67.3X

Analysis: AZPN is a \$8.37B software company with a focus on the process industries. They have end-market exposure to chemicals, energy, engineering, and construction as companies look to make their processes more efficient and unlock better performance. AZPN has about 40% of their revenues tied to energy, a group expected to see a turnaround in 2020 and with any inflection higher in spending on long-term projects would be a boost for their engineering business.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

LHX:



L3 Harris (LHX) shares are consolidating near the November lows with a breakdown targeting \$180. RSI is moving lower but not near oversold while shares forming a series of lower highs and lower lows since September.

PAIR TRADE OF THE WEEK

Industry: Wholesale Foods

Long/Short: Long US Foods (USFD), Short United Natural (UNFI)

Analysis: USFD is seeing strong growth from restaurant demand while hospitality remains an emerging leader in their mix. Their deal for SGA will also expand their scale in a fragmented market. UNFI remains a debt-heavy balance sheet and cut their outlook in October with a slowing guide to EPS and sales. UNFI also is seeing higher costs from a recent strike settlement.

SMALL CAP TRADE OF THE WEEK

In Mode (INMD) is a \$1.64B maker of minimally invasive aesthetic products. Their main product is a low-frequency RF assisted lipolysis and subdermal product for skin tightening and body/face contouring. INMD is coming off a strong quarter and longer-term tailwinds from an aging global population, growing instances of obesity, reduction of procedure costs, and better reimbursement from managed care.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Innoviva (INVA)

Keycorp (KEY)

McDermott (MDR)

Correvio (CORV)

Casey's General (CASY)

Athenex (ATNX)

Express (EXPR)

Innoviva (INVA)

Genworth (GNW)

Dycom (DY)

Tivo (TIVO)

Intel-Sat (I)

Casey's General (CASY)

Borgwarner (BWA)

Insego (INSG)

Conn's (CONN)

ArQule (ARQL)

Gamestop (GME)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

SLM Corp (SLM)

WNS

Diplomat (DPLO)

G-III Apparel (GIII)

Borgwarner (BWA)

Mallinckrdt (MNK)

Extreme Networks (EXTR)

8x8 (EGHT)

Sorrento (SRNE)

Diplomat (DPLO)

Hertz (HTZ)

Stitch Fix (SFX)

Jetblue (JBLU)

Kosmos (KOS)

Intra-Cellular (ITCI)

Cubic (CUB)

Keycorp (KEY)

Clovis (CLVS)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Cliff's (CLF)

Valaris (VAL)

Intra-Cellular (ITCI)

Tapestry (TPR)

ArQule (ARQL)

Axsome (AXSM)

Cameco (CCJ)

Intelsat (I)

Athenex (ATNX)

Nio (NIO)

Macys (M)

GTT Comms (GTT)

L Brands (LB)

Citi (C)

Wave Life (WVE)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Kraft (KHC)

Freeport (FCX)

Tivo (TIVO)

Aurora (ACB)

Bank of America (BAC)

Borgwarner (BWA)

Silver (SLV)

Disney (DIS)

ArQule (ARQL)

Zoom Video (ZM)

Apple (AAPL)

Casey's General (CASY)

Ford Motor (F)

GE

Conn's (CONN)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Zscaler (ZS)

Chewy (CHWY)

RH, January \$240/\$230/\$220 put butterfly

Pinduoduo (PDD)

Bristol Myers (BMY)

MPC, 4,800 April \$62.50/\$70 call spreads

Halliburton (HAL)

Apple (AAPL)

SLB, 4000 February \$37.5/\$42.5 call spreads

Copart (CPRT)

Crocs (CROX)

HAL, 4000 February \$23/\$25 call spreads

HP (HPQ)

Keycorp (KEY)

BP, 7,500 April \$39/\$43 call spreads

News Continued

Enbridge (ENB) raises dividend 9.8%, sees FY20 EBITDA \$13.7B

Devon Energy (DVN), Dow Inc. (DOW) to jointly develop portion of STACK

Amgen (AMGN) says Phase 3 CANDOR study met primary endpoint

Lens demand from China smartphone vendors to surge in 2020 – Digitimes

Macau Casinos See First Revenue Drop Since 2016 (**MGM, LVS, MLCO, WYNN**) – Bloomberg

Dollar General (DG) to sell CBD cosmetic products in select U.S. stores – Reuters

Rolls-Royce says ValueAct executive leaves board, shares fall – Reuters

Next Oil Rally May Be Made in Texas, Not Vienna – WSJ

Extras

Charles Schwab (SCHW) with 1625 February \$50 calls bought up to \$1.90 as some January \$44 calls roll up and out

Bristol Myers (BMY) late trade opens 5000 March \$60 straddles that is positive net Delta

Ford (F) buyers of 3350 January 2022 \$10 ITM puts to open near \$2.30

Flexion (FLXN) IV surged into the close with 2000 December \$22.50 calls opening \$0.25 up to \$1.10

Wix (WIX) with 1000 March \$150 OTM calls bought \$1.05 to \$1.20 to open

Facebook (FB) with 1500 January 24th (W) \$200 calls opening \$8.12 to \$8.15 for over \$1M

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CASY	Casey's General	\$2.21	\$2.15	\$2,487.60	\$2,526.13	-2.00%	
CHWY	Chewy	-\$0.20	-\$0.13	\$1,230.00	\$1,204.47	40.5%	FY Above
ROAD	Construction Partners	\$0.32	\$0.34	\$237.30	\$250.47	10.00%	
MDB	MongoDB	-\$0.26	-\$0.28	\$109.40	\$97.47	52.40%	FY Above
PHR	Phreesia	-\$0.07	-\$0.10	\$32.80	\$29.48	32.30%	FY Above
SFIX	Stitch Fix	\$0.00	-\$0.06	\$444.80	\$441.17	21.50%	FY In Line

TOL	Toll Brothers		\$1.30		\$2,193.25	
MTN	Vail Resorts	-\$2.64	-\$2.99	\$267.80	\$251.65	21.70%

SFIX – Beat on EPS and Revs, FY In Line – Reports Q1 active clients of 3.4M, an increase of 17% year over year. "We had another quarter of great momentum in Q1, delivering net revenue of \$445 million, exceeding guidance and representing 21% year-over-year growth," said Stitch Fix founder and CEO Katrina Lake. "We grew our active clients to 3.4 million, an increase of 17% year over year. Demonstrating the power of our data science, we continued to delight our clients, growing revenue per active client by 10% year over year, our sixth consecutive quarter of growth. We are excited by early results from our direct-buy initiatives, and believe these initiatives have the potential to expand our addressable market over time. We look forward to offering clients new ways to engage with our service."

MDB – Beat on EPS and Revs – "MongoDB's terrific third quarter results are the latest example of how the powerful combination of our modern data platform and sophisticated go-to-market efforts are driving increased adoption by both new and existing customers," said Dev Ittycheria, President and CEO of MongoDB. "The rapid growth of Atlas, which now comprises 40% of our business, is a clear demonstration that customers of all sizes recognize the value and flexibility of a managed cloud database-as-a-service. As we look ahead, Atlas's growing scale provides a tremendous opportunity to develop even closer relationships with our customers and enhance our value proposition. Our focus is to continue delivering new innovations on our data platform while ensuring our go-to-market efforts make it increasingly easy for customers to consume Atlas."

CHWY – Missed on EPS and Beat on Revs - "We are pleased to report strong third quarter 2019 results with net sales growing 40 percent year-over-year and gross margin increasing 410 basis points over the same period as the team continues to execute against our strategy of long-term, sustainable growth and margin expansion," said Sumit Singh, Chief Executive Officer of Chewy. "We remain focused on delivering product innovation and technology that makes finding and buying the right product easy, convenient, and enjoyable. We believe we are transforming the industry with our truly unique and personalized, high-bar shopping experience that builds trust and brand loyalty by keeping the customer at the center of everything we do."

Earnings Pre-Market

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AZO	AutoZone	\$14.30	\$13.74	\$2,793.00	\$2,759.94	5.70%	
CMD	Cantel Medical	\$0.65	\$0.59	\$257.20	\$255.51	14.00%	
CONN	Conn's	\$0.61	\$0.54	\$377.70	\$394.29	1.00%	
DBI	Designer Brands	\$0.67	\$0.74	\$936.30	\$935.03	12.40%	FY Below
HDS	HD Supply Holdings	\$1.01	\$1.00	\$1,644.00	\$1,642.28	2.00%	