

MARKET BLITZ – December 11th, 2019

Prepared Exclusively by alex@optionshawk.com

TOP STORIES

- China Sees U.S. Delaying Dec. 15 Tariff Hike as Talks Drag
- China May Walk Away from Talks Until After Election If Dec. Tariffs Imposed
- Boris Johnson's Lead Narrows Ahead of UK Election Day
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3136.5 (0.50)	3.68
Nasdaq	8373 (9.25)	16.71
Dow	27889 (-32)	-2.72

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7207.99	-0.08%
DAX	13110.21	0.30%
Nikkei	23391.86	-0.08%
Hang Seng	26645.43	0.79%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	CPI	0.2%/2.0%
10:30	EIA Petroleum	
2:00	FOMC Announcement	
2:30	Powell Press Conf.	

FOREX

EUR/USD	1.1078 (-0.13%)
USD/JPY	108.7 (-0.01%)
USD/CAD	1.3235 (0.08%)
GBP/USD	1.3141 (-0.10%)

COMMODITY

Oil	58.87 (-0.62%)
Natural Gas	1.6365 (-0.98%)
Gold	1471.2 (0.21%)
Copper	2.775 (0.34%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.79 (-0.44%)
Nasdaq	VXN	18.04 (-0.61%)
Oil	OVX	27.94 (-6.94%)
Gold	GVZ	10.33 (-3.91%)

MARKET OUTLOOK

Futures are indicating a mixed open for the morning with the focus (slightly) on the Fed today. The announcement will come at 2pm and near zero percent chance of any action today. The press conference afterwards more important for any clarity on their 'wait and see' mentality. The main focus remains trade with the 12/15 tariffs upcoming. Bloomberg out last night noting that Chinese officials expect a delay as the two sides negotiate an interim deal. It also speculates the US may cut existing tariffs by half as opposed to eliminating them all together. WH advisor Navarro out last night noting that no decision has been made on the December tariffs yet. Reuters, citing a source, said that if the 12/15 tariffs go into effect without changes, China likely walks away until after the 2020 election. In the UK, Boris Johnson's lead has narrowed but he is still on pace for a majority in tomorrow's election.

Asian markets closed mixed overnight although the majority saw modest gains. China outperformed with the Nikkei slightly lower, breadth again a little weak. Tech was weak with **Hitachi** down 2.5%. **Aramco** making its debut on the Saudi market last night up 10%.

European markets are also choppy with the FTSE lagging a bit ahead of the Election tomorrow. Tech and staples are weak while autos and industrial lead. **Credit Suisse** down around 20 bps after their investor day. The company cut its main profitability target for this year and next. **JD Sports** down 9% in the UK after its largest shareholder sold a stake.

Telefonica Deutschland down 2.5% after cutting its dividend. Fashion chain **Zara** raising their outlook and majority owner **Inditex** up 3.65%. **Wirecard** down another 3% today. **Ahold Delhaize** leading the Stoxx 50 lower with shares off by 1.5% after announcing US expansion plans.

Finally, turning to **economic data** overnight... it was pretty quiet. Japan PPI was slightly above estimates at 0.2% vs 0.1%. Weekly mortgage applications in the US bounced back up 3.8%. Brazilian retail sales were up 4.2% Y/Y in October, slightly better than expected.

S&P TECHNICALS

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



3656 Advancing	Declining 3716
46.6%	47.4%
200 New High	New Low 93
68.3%	31.7%
5109 Above SMA50	Below 2634
66.0%	34.0%
4872 Above SMA200	Below 2871
62.9%	37.1%

KEY EVENTS

Earnings After the Close: LULU, MESA, NDSN, TLRD

Analyst Days: CS, KWR, HD, TREE, SWI

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

Tomorrow... PPI at 8:30am

Earnings BMO: CIEN, LOVE

ANALYST ACTION/COMMENTS

AutoZone (AZO) upgraded to Neutral at Wolfe

Technip (FTI) upgraded to Buy at Citi

Vale (VALE) upgraded to Buy at Jefferies

Cryolife (CRY) upgraded to Buy at Needham

SL Green (SLG) upgraded to Buy at BAML

Dentsply (XRAY) downgraded to Neutral at JP Morgan

Conns (CONN) downgraded to Hold at Stifel

Surmodics (SRDX) downgraded to Hold at Needham

Acadia (ACHC), Walgreens (WBA), Wellcare (WCG) downgraded to Neutral at Wells Fargo

Encompass (EHC), Cigna (CI) downgraded to Underperform at Wells Fargo

Rockwell (ROK) downgraded to Neutral at MSCO

UPS downgraded to Neutral at BMO Capital

Jack Henry (JKHY) downgraded to Sell at Evercore

DA Davidson starting **REAL** at Buy; **RVLV, SFIX** at Neutral

Golar (GLNG) initiated Sell at Goldman Sachs

Clarivate (CCC) initiated Outperform at JP Morgan

Ameren (AEE) initiated Buy at JP Morgan, \$82 PT

IHS Markit (INFO) initiated Buy at RBC Capital

Piper sees Q4 subscriber upside for **Netflix (NFLX)**

Humana (HUM) PT raised to \$400 at Wells Fargo

MEDIA HIGHLIGHTS

Hudson's Bay investor says will vote against take-private deal – Reuters

Starboard picks stake in **Mednax (MD)**, pushes for the company to sell all or part of itself - WSJ

Peru plans taxing **Netflix (NFLX)**, **Uber (UBER)** and digital businesses – Reuters

Tesla (TSLA) plans to build 500,000 vehicles per year at German factory – Reuters

Credit Suisse (CS) cuts profit goals as revenue hopes fall short – Reuters

U.S. Army will fund rare earths plant for weapons development – Reuters

Ahold Delhaize USA plans major supply-chain expansion – SuperMarket News

New York Life in Talks to Buy **Cigna (CI)** Unit for Up to \$6 Billion – WSJ

Google's (GOOG) \$2.1B acquisition of **Fitbit (FIT)** faces DOJ probe – NY Post

Illycaffè Kicks Off Stake Sale to Fuel U.S. Expansion, Could Value > \$1 Billion – Bloomberg

Telefonica Deutschland picks **Nokia (NOK)** and **Huawei** for 5G network – Reuters

Siemens Healthineers says has no interest in buying **Qiagen (QGEN)** – Reuters

STOCK SPECIFIC NEWS OF NOTE

Scientific Games (SGMS) announces contract extension with California State Lottery

Ollie's Bargain Outlet (OLLI) names new CEO

Chevron (CVX) sets 2020 capital, E&P budget at \$20B; planning more asset sales

Cummins (CMI) authorizes \$2B share buyback

Advisory committee for FDA denies **Correvo's (CORV)** New Drug Application

Leidos (LDOS) awarded \$6.52B Defense Information Systems Agency contract

AT&T (T) sets 2020 cost cut target of 4%, enters into accelerated \$4B buyback

Sage Therapeutics (SAGE) CSO buys \$1.6M in stock

American Water (AWK) guides below FY20

PRE-MARKET MOVERS

Moving Higher: SBGL 3.5%, AU 3%

Moving Lower: PLCE -16.5%

INSIDER TRADING (Form 4 Filings)

Buying: EPD, IIPR, WDAY, OXY, MDT, EXPE

Selling: IIPR, COF, SYF, RJF, AFL, LLY, KELYA, TPTX, LRCX, NTN, COTY, MRNA

POTENTIAL SYMPATHY TRADES

CRI – on PLCE earnings

LOW – on HD 2020 forecasts

OPTION HIGHLIGHTS (Prior Day)

National Beverages (FIZZ) with 4,400 July \$60 ITM puts bought today from \$10.00 to \$10.90 and still has bearish open interest in the April \$55 and \$45 strikes. Shares gapped higher on earnings last week and just below gap resistance from March at \$60 while also running into the 23.6% retracement level of the fall from the 2018 highs. The \$2.29B company trades 23.5X earnings, 2.3X sales, and 19.33X FCF. The company sees both top and bottomline deceleration continuing in 2020 while margins continue to contract. FIZZ is coming off a strong quarter with their first new flavor in two years, Hibiscus, driving a near-term inflection in sales. La Croix remains in decline overall as competition in the sparkling water space grows with Bubly, Waterloo, Perrier and others taking shelf space. Their biggest threat to shelf space is coming in March when Coca Cola (KO) rolls out AHA that will be marketed as a healthy, natural alternative at a time when FIZZ faces lingering questions about artificial ingredients. Analysts have an average target for shares of \$47 with 1 buy rating, 3 holds, and 2 sells. Guggenheim thinks KO's Aha brand will take immediate shelf space while a resurgence in LaCroix likely doesn't occur until the 2H. Jefferies on 11-11 with a \$30 PT noting that KO is one of the biggest competitors to enter the market from the POV of being able to outspend on marketing to win share. The firm also thinks FIZZ needs to make much more bold moves to regroup the brand. Short interest is 16.8%, up from around 9.5% this Summer and surging from around 4% at the start of the year. Hedge fund ownership rose 11% in Q3. Melvin Capital a buyer of put options and now a position equivalent of 950,000 shares.

AFTER HOURS MOVERS

Gainers: OLLI 15%, PLAY 3%

Losers: GME -15%

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

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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
ArQule (ARQL)	Sinclair (SBGI)	Laredo (LPI)
Conns (CONN)	Technip (FTI)	Novavax (NVAX)
Sanofi (SNY)	Conns (CONN)	Editas (EDIT)
Prologis (PLD)	Casey's (CASY)	PG&E (PCG)
Uniqure (QURE)	American Axle (AXL)	Immunomedics (IMMU)
Colgate (CL)	MBIA (MBI)	Luckin (LK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
RPC (RES)	Camtek (CAMT)	Ascena (ASNA)
Laredo (LPI)	LPL Financial (LPLA)	Stich Fix (SFIX)
Uniqure (QURE)	American Axle (AXL)	McDermott (MDR)
Epizyme (EPZM)	Sinclair (SBGI)	Conns (CONN)
Sanofi (SNY)	Crown (CCK)	Sprint (S)
Sonos (SONO)	Acuity Brands (AYI)	Designed Brands (DBI)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Immunomedics (IMMU)	Luckin (LK)	Intra-Cellular (ITCI)
Comcast (CMCSA)	Ford Motor (F)	Axsome (AXSM)
Vale SA (VALE)	ArQule (ARQL)	Athenex (ATNX)
Nio (NIO)	Cisco (CSCO)	GTT Comms (GTT)
Square (SQ)	Gamestop (GME)	Wave Life (WVE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Advanced Micro (AMD)	Canopy (CGC)	Casey's (CASY)
Freeport (FCX)	Peloton (PTON)	American Axle (AXL)
Tesla (TSLA)	Ford Motor (F)	MBIA (MBI)
L Brands (LB)	Cliff's (CLF)	Uniqure (QURE)
Cisco (CSCO)	Toll Brothers (TOL)	Colgate (CL)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Intra-Cellular (ITCI)	MasTec (MTZ)	GILD, 2,000 June \$62.50/\$85 call spreads
Prologis (PLD)	National Bev (FIZZ)	A, February \$90/\$95 call ratio opening 2000X3000
Netflix (NFLX)	American Eagle (AEO)	TNDM, 750 January \$65/\$70 call spreads
Uniqure (QURE)	Edwards (EW)	VALE, 5,000 June \$10 synthetic long spreads
Aurinia (AUPH)	DocuSign (DOCU)	

News Continued

JetBlue (JBLU) reports November traffic up 3.7%

E*TRADE (ETFC) reports November DARTs +32%

STAAR Surgical (STAA) announces FDA IDE clinical study approval

Home Depot (HD) sees FY20 comps +3.5% to +4%

Novartis (NVS) terminates Accordion Pill development agreement with **Intec Pharma (NTEC)**

Netflix (NFLX) says 26.4M users watched "The Irishman" in the first week. WSJ

Extras

Morgan Stanley (MS) with 25,000 June \$50 puts sold to open \$3.82, similar to the large June opening put sale in Wells Fargo earlier

Illumina (ILMN) seeing 1,100 March \$360 calls open late day as January \$350 calls adjust

Trip.com (TCOM) late day buyer of 2250 June \$30 puts to open for \$2.40

Weibo (WB) afternoon activity opened 3000 January \$40 synthetic long positions

Energy Transfer (ET) late day block opened 5000 July \$12 calls \$1.15 in a stock replacement

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AGX	Argan	-\$0.44	-\$0.06	\$58.40	\$56.50	-49.90%	
PLAY	Dave & Busters	\$0.07	\$0.07	\$299.40	\$296.39	6.10%	FY In Line
GME	GameStop	-\$0.49	\$0.17	\$1,438.50	\$1,624.00	-25.70%	FY Below
OLLI	Ollie's Bargain Outlet	\$0.41	\$0.38	\$327.05	\$322.56	15.30%	

Earnings Pre-Market

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AEO	American Eagle		\$0.48		\$1,055.40		
PLAB	Photronics	\$0.15	\$0.15	\$156.30	\$147.37	8.00%	
PLCE	The Children's Place	\$3.03	\$3.02	\$524.80	\$534.09	0.40%	FY Below

UNFI	United Natural Foods	\$0.12	\$0.27	\$6,019.60	\$5,797.08	109.90%	
VRA	Vera Bradley		\$0.18		\$124.48		