

MARKET BLITZ – December 17th, 2019

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TOP STORIES

- Johnson Brexit Bill to Rule Out Extension to Transition Period Beyond 2020
- China May Buy Ethanol, Divert Hong Kong Trade to Hit US Pledge
- Sanders Surges Ahead of Iowa Caucuses
- Boeing Confirms It Will Halt 737 MAX Output

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3196.75 (-1.75)	1.80
Nasdaq	8605 (-1)	7.67
Dow	28218 (-45)	-25.89

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7503.42	-0.21%
DAX	13296.53	-0.83%
Nikkei	24066.12	0.47%
Hang Seng	27843.71	1.22%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Housing Starts	
9:15	Industrial Production	
10:00	JOLTs	
12:30	John Williams Speaks	
1:00	Eric Rosengren Speaks	

FOREX

EUR/USD	1.1162 (0.18%)
USD/JPY	109.57 (0.07%)
USD/CAD	1.3165 (0.11%)
GBP/USD	1.3203 (-0.95%)

COMMODITY

Oil	60.40 (0.32%)
Natural Gas	2.31 (-1.32%)
Gold	1483.6 (0.21%)
Copper	2.8135 (0.07%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.18 (-3.56%)
Nasdaq	VXN	13.73 (-9.01%)
Oil	OVX	26.21 (-2.06%)
Gold	GVZ	10.43 (0.38%)

MARKET OUTLOOK

Futures are indicating a mixed open for the morning after a slow overnight session. Trade has remained quiet with the exception of a few notes on progress towards the Phase One signing and some more details on China purchases. The country is expected to resume US ethanol purchases in the near-term. There's some Brexit concerns again cropping up in the UK (see below) that are weighing on EU stocks. In Washington, new polling data shows Joe Biden and Bernie Sanders at the top of the democratic leaderboard as Elizabeth Warren continue to fade.

Asian markets were higher overnight with the Nikkei hitting new 1-year highs. Miners and materials showing strength. **Dentsu** was down 6.25% after their earnings warning.

European markets are weaker this morning with the DAX down over 80 bps. Consumer goods the biggest weak spot after **Unilever (UN)** warned that 2019 sales would be lower than expected. Shares fell 6%, the worst day since 2015, and taking down a lot of other names in the space. UN cited tough conditions in Africa and Asia. UK stocks also under pressure with PM Johnson taking a bit of a hardline stance on Brexit. Reports were that he will not allow any extension of the transition period beyond 2020. **RBS, Barclays, and Lloyds** all down 3% or more. Some airlines like **Ryanair** and **Lufthansa** also weak on that news. **Airbus** is up around 1% after Boeing's production shut down. Austrian steelmaker **Voestalpine** down 3% after cutting their outlook.

Finally, it was a quiet night for **economic data**. Eurozone trade balance rose slightly in October. EU demand for new passenger cars was up 4.9% with Germany, Spain, Italy, and France all positive. The UK was slightly negative. UK unemployment was down to 3.8%. Industrial orders fell slightly in December.

S&P TECHNICALS

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



5037 Advancing	Declining 2430
64.2%	31.0%
1218 New High	New Low 128
90.5%	9.5%
5464 Above SMA50	Below 2286
70.5%	29.5%
5132 Above SMA200	Below 2618
66.2%	33.8%

KEY EVENTS**Earnings After the Close:** CTAS, FDX, SCS**Analyst Days:** LLY, SGMO, UNM, SSTI**Tomorrow...** API Inventories at 10:30 AM, Fed Speakers (Brainard, Evans), Democratic Presidential Debate (Wed Night); **International Data:** Lagarde Speaks, EU CPI, UK CPI, German IFO Surveys**Earnings Before the Open:** GIS, PAYX, TTC**Earnings After the Close:** ABM, MLHR, MU, REVG**Analyst Days:** MCK, PNM, AJG, LII, CFX**ANALYST ACTION/COMMENTS****Freeport (FCX)** upgraded to Buy at BMO Capital**Oceaneering (OII)** upgraded to Buy at Goldman**Parker Hannifin (PH)** upgraded to Buy at Stifel**IMPINJ (PI)** upgraded to Buy at Needham**Guess (GES)** upgraded to Buy at Cowen**Vera Bradley (VRA)** upgraded to Buy at Cowen**Hill Rom (HRC)** upgraded to Overweight at MSCO**Site One (SITE)** upgraded to Overweight at MSCO**J&J (JNJ)** upgraded to Overweight at MSCO**Taiwan Semi (TSM)** upgraded to Buy at China Ren**Micron (MU)** upgraded to Buy at Wedbush**Cyrus One (CONE)** upgraded to Overweight at Keybank**Alcoa (AA)** downgraded to Neutral at BMO**Groupon (GRPN)** downgraded to Sell at Goldman**Laredo (LPI), Continental (CLR)** downgraded to Sell at Goldman Sachs**Pentair (PNR)** downgraded to Hold at Stifel**Canadian Pacific (CP)** downgraded to Hold at Loop**ABB** downgraded to Hold at DZ Bank**Lennar (LEN), DR Horton (DHI)** downgraded to Sell at RBC Capital**Baxter (BAX), Alexion (ALXN)** downgraded to Neutral at MSCO**SAP** downgraded to Sell at BAML**MEDIA HIGHLIGHTS****J&J (JNJ)** wins trial over CA woman's baby powder cancer claim – CVN**ProSieben's NuCom** looks at **Meet Group (MEET)** acquisition – Reuters**Fiat Chrysler (FCAU), Peugeot** boards to meet to finalize \$50B merger – Reuters**Tallgrass Energy (TGE)** to accept Blackstone's take-private offer – Reuters**Cisco (CSCO)** secures injunction against Chinese counterfeits – WSJ**Beyond Meat (BYND)** CEO Ethan Brown Hints at 'Poultry' News In 2020 – Bloomberg**Partners Group** Buys U.S. Eye-Care Company **Eyecare Partners** in \$2.2 Billion Deal – WSJ**Telefonica** to drastically reduce **Huawei** kit for its core 5G network – ReutersU.S. spending deal would raise tobacco age to 21 (**MO, PM, BTI**) – ReutersTrump Helped Nix Electric Car Tax Measure Sought by **Tesla (TSLA), GM** – Bloomberg**PriceWaterHouseCooper** Clients More Likely to Revise Financial Statements – WSJ**STOCK SPECIFIC NEWS OF NOTE****Alcoa (AA)** to close Texas refinery, incur \$175M restructuring chargeCalifornia judge rules **Uber (UBER)** drivers will not have to be reclassified**Boeing (BA)** confirms suspension of 737 production starting next month**Roche** wins U.S. antitrust approval for **Spark Therapeutics (ONCE)** deal**Netflix (NFLX)** reports regional data, shows EMEA has grown to 47.36M paid subscribers**Liberty Global (LBTYA)** stops talks regarding combination of UPC Switzerland, Sunrise**ImmunoGen (IMGN)** announces accelerated approval pathway for mirvetuximab**Southwest (LUV)** removing Boeing 737 MAX from flight schedule through April**Unilever (UN)** cuts outlook

PRE-MARKET MOVERS

Moving Higher: TGE 21%, PCG 5%, TSM 2%, FCX 1.9%

Moving Lower: UN -6%, BCS -3.4%

INSIDER TRADING (Form 4 Filings)

Buying: SCYX, KMI, PLCE

Selling: CME, WRK, NEOG, OIS, TSE, SKY

POTENTIAL SYMPATHY TRADES

PG, CL, CHD, KMB – on UN warning

CMI, PCAR – on NAV earnings

OPTION HIGHLIGHTS (Prior Day)

J&J (JNJ) with 10,000 February \$145/\$155 call spreads bought today for \$2.57, some December calls adjusting out for more upside, and follows sellers in the February \$135 puts on 12-6. JNJ shares are back near the high-end of a multi-year range around \$145/\$150 and recently moved above the YTD value area at \$138.50, a key spot to watch on a pullback. The monthly bull flag has a measured target up to \$180 with MACD near a bull crossover and RSI improving as well from reset levels, potential for an extended run in 2020. The \$372B healthcare giant trades 15.5X earnings, 4.5X sales, and 20.7X cash with a 2.7% yield and estimates calling for accelerating top and bottom line growth through 2021. JNJ has seemingly put a lot of headline issues behind them recently including the talc claims and opioid settlements. The company raised their outlook in 2020 seeing double-digit growth in their top pharma brands, multiple new product launches in med-tech, and expanded profitability in their consumer business as their leading beauty brands win more shelf space. Analysts have an average target for shares of \$153.25. Cantor starting at Overweight on 11-20 with a \$160 PT. They see upside to earnings estimates from J&J's Pharma business while 2020 can be a year of multiple expansion as their overall liabilities diminish. CSFB positive on 11-13 with a \$163 PT. Their checks show that October script trends are positive for late January earnings with a good lift from Darzalex, Tremfya and Invokana. Short interest is 0.7%. Hedge fund ownership rose 7% in Q3. Senator Investment Group a notable new buyer of shares. In June, a director bought \$419k in stock at \$139.68 and not far from current levels.

AFTER HOURS MOVERS

Gainers: CSBR 11%, HEI 2.7%

Losers: CLVS -12%, SPR -3.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.61	Multi-Month Lows
CBOE Index Put/Call Ratio	1.79	Elevated
CBOE Skew Index	144.51	Highest In 15 Months
VIX Curve	Contango	Normal
CNN Fear & Greed Index	75	Greed
NYMO	19.56	Elevated
NYSE New Highs	132	Strong
McClellan Summation	529.88	Above 8-EMA
Cumulative AD	194390	New Highs
VXV:VIX	1.21	Elevated
Lipper Fund Flows	-\$7.1B	Biggest Outflow in Two Months
Univ. of Michigan Consumer Sentiment	99.2 (December)	+0.9%

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

Clovis (CLVS) files \$250M mixed shelf

Arconic (ARNC) files Form 10 for split

TRADE

WEEKLY TECHNICAL BREAKOUT

CRL:



Charles River (CRL) shares are flagging under \$150 and new highs with a breakout targeting \$155. Longer-term, a big weekly bull flag breakout has room up to \$165 with MACD and RSI both turning positive recently and not near overbought.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Chemed (CHE)

Price: \$440

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: CHE is a \$7B is an usual pair but operates in two segments. First is a home healthcare unit with end-of-life hospice care with an extensive network of RNs, physicians, and others. The second is Roto-Rooter, the nation's leader in plumbing and water cleanup services. CHE is attractive for a potential breakup and value unlock with both likely better operators on their own.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

BA:



Boeing (BA) shares are back near trend support from the August lows and moving out of value with a run under \$340 targeting \$320. RSI is weakening and shares forming a set of lower highs recently as momentum fades.

PAIR TRADE OF THE WEEK

Industry: Auto Parts

Long/Short: Long **Advanced Auto (AAP)**; Short **O'Reilly (ORLY)**

Analysis: AAP is a \$10.9B auto parts operator that should close the gap with peers in 2020 as they executive on a multi-legged margin plan and grow share in the professional market. ORLY faces tougher comps in 2020 and margins may be soft with tariff costs fully passed through from hike a year ago.

SMALL CAP TRADE OF THE WEEK

ICF Int'l (ICFI) is a \$1.66B provider of management services including policy consulting for government and commercial clients. They use data analytics to help create optimal responses and purpose-driven plans around key issues like health, education, and social programs. Shares trade 19.5X earnings and 1.15X sales with mid-teens growth.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Heico (HEI)	Intra-Cellular (ITCI)	Horizon (HZNP)
Wave Life (WVE)	Medallia (MDLA)	La Jolla (LJPC)
Lear Corp (LEA)	Heico (HEI)	PG&E (PCG)
ImmunoGen (IMGN)	Colfax (CFX)	Intra-Cellular (ITCI)
Targa (TRGP)	Realty Corp (O)	Meet Group (MEET)
Smart Global (SGH)	Casa Systems (CASA)	Inseego (INSG)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Ampio (AMPE)	Discovery (DISCA)	Axsome (AXSM)
Conduent (CNDT)	Medallia (MDLA)	Spark (ONCE)
Rambus (RMBS)	Brooks Automation (BRKS)	Hexo (HEXO)
Liberty (LBTYK)	Intra-Cellular (ITCI)	Iovance (IOVA)
SLM Corp (SLM)	ADT (ADT)	Athenex (ATNX)
Sanofi (SNY)	Sleep Number (SNBR)	Beigene (BGNE)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Ford Motor (F)	Freeport (FCX)	Intra-Cellular (ITCI)
Itau Unibanco (ITUB)	Pfizer (PFE)	Axsome (AXSM)
Graftech (EAF)	Gamestop (GME)	Athenex (ATNX)
Wells Fargo (WFC)	Axsome (AXSM)	GTT Comms (GTT)
Gilead (GILD)	Luckin (LK)	Wave Life (WVE)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Apple (AAPL)	Boeing (BA)	Colfax (CFX)
Twitter (TWTR)	Amarin (AMRN)	Realty Corp (O)
Tesla (TSLA)	Freeport (FCX)	Casa Systems (CASA)
Facebook (FB)	Ford Motor (F)	Targa (TRGP)
Pfizer (PFE)	Beyond Meat (BYND)	Smart Global (SGH)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

AbbVie (ABBV)	Carnival (CCL)	JNJ, 10,000 February \$145/\$155 call spreads
Conn's (CONN)	Colfax (CFX)	SWKS, 500 May \$110/\$95 put spreads
Charter (CHTR)	Discovery (DISCA)	SGH, 1000 December \$35/\$40 call spreads
J&J (JNJ)	Fed-Ex (FDX)	AAPL, 10,000 January \$280 straddles bought
Targa (TRGP)	Realty Income (O)	

News Continued

China will target investment, but will not initiate large stimulus – Reuters

China aims to grant more tariff waivers for US agricultural goods – Bloomberg

Congress will repeal medical device tax as part of year end spending bill (**MDT, DXCM, ALGN**) – Politico

Congress will repeal required minimum distribution provisions for stretch IRAs as part of year end spending package (**ETFC, AMTD, SCHW**) – Forbes

Goldman Sachs (GS) introduces alternative investment group - FT

Anylam (ALNY) announces ILLUMINATE-A trial meets primary, secondary endpoints

Biohaven (BHVN) reports 'positive' results from Phase 2/3 study of vazegepant

Extras

Eli Lilly (LLY) front-month IV higher this afternoon with 3,000 December \$124 calls bought up to \$0.78 into their 2020 guidance call tomorrow

Fed-Ex (FDX) buyer 1500 January \$165 puts up to \$7.20 into weakness and ahead of earnings

Host Hotel (HST) afternoon buyers of 5000 January \$18 calls \$0.40

Under Armour (UAA) late day buyers of 5000 January \$20 calls

Genworth (GNW) with 7500 June \$4 puts opening for \$0.43

Southwest (LUV) closed weak with buyers of 3000 January \$52.50 puts and December put buys as well

Hancock Whitney (HWC) unusual buy of 500 February \$45 calls to open for \$1.10

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
JBL	Jabil		\$0.93		\$6,923.23		
NAV	Navistar	\$1.02	\$0.96	\$2,780.00	\$2,823.41	-16.20%	
WOR	Worthington	\$0.60	\$0.58	\$827.60	\$786.60	-13.60%	