

MARKET BLITZ – December 18th, 2019

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TOP STORIES

- House Prepares Articles of Impeachment as Vote Looms Today
- Lighthizer says Trump Focused on Addressing US/EU Trade Issues
- German IFO Signals Modest Morale Boost in Q4 for Businesses
- Japan Boosts Growth Outlook After \$122B Stimulus Package
- Macau on Lockdown as China's Xi Makes Historic Visit to Push Growth

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3196.5 (1)	-0.02
Nasdaq	8609 (3.75)	5.30
Dow	28299 (15)	19.84

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7534.34	0.12%
DAX	13253.17	-0.26%
Nikkei	23934.43	-0.55%
Hang Seng	27884.21	0.15%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:30	EIA Petroleum	
12:40	Charles Evans Speaks	

FOREX

EUR/USD	1.1119 (-0.27%)
USD/JPY	109.52 (0.05%)
USD/CAD	1.3149 (-0.07%)
GBP/USD	1.3088 (-0.30%)

COMMODITY

Oil	60.49 (-0.75%)
Natural Gas	2.291 (-1.21%)
Gold	1481 (0.03%)
Copper	2.80 (-0.48%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.23 (0.74%)
Nasdaq	VXN	14.31 (2.07%)
Oil	OVX	25.81 (-2.65%)
Gold	GVZ	10.07 (-3.08%)

MARKET OUTLOOK

Futures are indicating a slightly higher open this morning after a very quiet night for news. A couple of central bank announcements (Thailand, China repo rate) were as expected. Japan bumped up its outlook for growth after their big \$122B stimulus package. There will be a lot of talk today about impeachment with the House set to vote on the articles around 6:30 pm. There will be two big blocks during the day for debate by both Democrats and Republicans. The market has so far ignored the process, as it likely will continue. **Fed-Ex (FDX)** with another weak report likely the early focus today after cutting guidance again. A number of headwinds cited like slowing global trade and tariffs.

Asian markets were mixed overnight with the Nikkei lower after weaker than expected export data. Breadth was weak overall on the day. **Hitachi** announced a \$4.55B stake in their chemical unit to Showa Denko. **Isuzu** higher by 1.5% after reports they'll work with **Volvo** on next-gen trucks.

European markets shares are mixed this morning with the DAX unable to sustain a rebound and in the red. **Volvo** higher by 3.5% after the aforementioned deal with Isuzu. Education company **Pearson** higher by 3% after agreeing to sell their remaining 25% stake in Penguin Random House. **Peugeot** higher by 1.5% after agreeing to a \$50B merger with FCA. **Swedish Bank** down slightly after regulators launch a new investigation into money laundering controls. **Bang and Olufsen** down 15% after cutting their outlook. French drugmaker **Ipsen** down 3.6% after their CEO stepped down.

It was a quiet night for **economic data** around the world. Japanese imports fell 15.7% in November, worse than the 12.7% drop forecast. Exports were not as bad as feared. Eurozone CPI was in line with forecasts at 1%. UK CPI was slightly higher than forecast at 1.5% vs 1.4%. German IFO business surveys were positive in December at 96.3 vs 95.5. US mortgage applications fell 5% this week.

S&P TECHNICALS

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



4363 Advancing	Declining 3086
55.6%	39.3%
679 New High	New Low 85
88.9%	11.1%
5560 Above SMA50	Below 2190
71.7%	28.3%
5169 Above SMA200	Below 2581
66.7%	33.3%

KEY EVENTS**Earnings After the Close:** ABM, MLHR, MU, REVG**Analyst Days:** MCK, PNM, AJG, LII, CFX**Tomorrow...** Weekly Claims at 8:30 AM, Philadelphia Fed at 8:30, Existing Home Sales at 10:00; **International Data:** BOJ Decision (Wed Night), UK Retail Sales, Norway Rate Decision, BOE Decision**Earnings Before the Open:** ACN, APOG, CAG, DRI, EPAC, FDS, RAD, SAFM; **Earnings After the Close:** AIR, CAMP, NKE, SCHL, SGH**ANALYST ACTION/COMMENTS****Macerich (MAC)** upgraded to Neutral at JP Morgan**EPR Properties (EPR)** upgraded to Buy at JP Morgan**Advanced Drainage (WMS)** upgraded to Buy at Barclays**World Acceptance (WRLD)** upgraded to Neutral at Janney**Dupont (DD)** upgraded to Buy at DZ Bank**Delta (DAL)** upgraded to Buy at Deutsche Bank**Cabot Micro (CCMP)** upgraded to Buy at Loop Capital**STAG Industrial (STAG)** upgraded to Buy at RBC Capital**Sabra (SBRA)** upgraded to Neutral at Citi**Eli Lilly (LLY)** upgraded to Overweight at MSCO**Kimco (KIM), Regency (REG), Simon Property (SPG), Taubman (TCO)** downgraded to Neutral at JP Morgan**Halliburton (HAL)** downgraded to Neutral at BMO**Galapagos (GLPG)** downgraded to Neutral at Citi**Dominos (DPZ)** downgraded to Neutral at Longbow**FedEx (FDX)** downgraded to Neutral at OpCo**AMC Entertainment (AMC)** downgraded to Sell at BAML**Si-Bone (SIBN)** initiated Overweight at Cantor**Waste Mgmt. (WM)** initiated Outperform at CIBC**Revolve Group (RVLV), The Real Real (REAL)** initiated Buy at B Riley**Skechers (SKX)** initiated Buy at Deutsche Bank**Datadog (DDOG)** initiated Buy at Rosenblatt**MEDIA HIGHLIGHTS****NY Life** to buy **Cigna (CI)** unit for more than \$6B - FT**JPMorgan (JPM)** cleared to open securities venture in China - Reuters**Tesla Motors (TSLA)** may cut prices of China-built Model 3s - Bloomberg**Dish's (DISH)** Ergen says banks prepared to loan \$10B for wireless network - WSJ**Airbus** to restructure defense and space unit – WSJBertelsmann to acquire remaining 25% **Penguin** stake from **Pearson** for \$675M – Reuters**GE** likely to take significant hit from **Boeing's (BA)** MAX decision - WSJTech Shudders as U.S. Weighs New Limits on **Huawei** Sales – BloombergYou Might Be Buying Trash on **Amazon (AMZN)** –Literally – WSJRegulators find 'shortcomings' in living wills of six large banks (**BAC, BK, C, MS, STT, WFC**) – American Banker**Hitachi** to sell chemical unit, medical equipment business for \$6 billion – Reuters**STOCK SPECIFIC NEWS OF NOTE**FTC challenges **Illumina (ILMN)** deal to buy Pacific Biosciences on competition concerns**Leidos (LDOS)** to acquire **Dynetics** for \$1.65B**QIWI (QIWI)** CEO resigns**Natus Medical (NTUS)** announces \$50M share buyback**PG&E (PCG)** submits settlement pact to CPUC related to 2017, 2018 wildfires**Zogenix's (ZGNX)** Fintepla shows significant reduction in convulsive seizure frequency**Kalnin Ventures** to buy **Devon Energy's (DVN)** Barnett Shale assets for \$770M; **DVN** announces \$1B buyback**Columbia (COLM)** joining S&P 400**Fiat Chrysler (FCAU), Peugeot** agree to merge; **FCAU** to distribute €5.5B special dividend**Sun Life Financial (SLF)** to acquire majority stake in InfraRed Capital**Voya Financial (VOYA)** to sell Individual Life unit; sees deal providing \$1.7B of deployable capital

PRE-MARKET MOVERS

Moving Higher: PCG 15%

Moving Lower: FDX -7.5%, STM -2.4%

INSIDER TRADING (Form 4 Filings)

Buying: OKE, USCR, ADC, FRG, PLCE, TACO

Selling: RDNT, MRVL, MAR, MORN, SEDG, DXCM, CRM, VMW, MLAB, MRNA, CDLX, GWRE

POTENTIAL SYMPATHY TRADES

UPS, ATSG, EXPD – on FDX earnings

K, SJM, MDLZ, CAG, POST – on GIS earnings

OPTION HIGHLIGHTS (Prior Day)

Garmin (GRMN) with buyers of 1,200 January \$95 calls today up to \$3.70 to open, name trading in a narrow flag after earnings in late October. GRMN has seen smaller buys in the July \$105 calls recently with short puts in the Jan. 2021 \$72.50 and \$70 strikes. Shares have run strong since mid-July after two straight strong quarters and a move above \$98/\$99 has room up to \$110. RSI is turning the corner a bit after resetting from overbought conditions and plenty of room to run. The \$18.66B company trades 22.5X earnings, 5.2X sales, and 14.5X cash with a 2.3% yield. GRMN is guiding to accelerating EPS growth in FY20 and FY21 with sales up 4-5%. GRMN is a hugely diverse company with exposure to fitness wearables, outdoor products like mapping systems, marine tech, automotive solutions, and even aviation through their autonomous flight software. The company has been busy with more than 100 product launches in the last two years and considers themselves in the early innings of automotive and aviation penetration while military applications a new area where they intend to focus on in 2020. GRMN has a deep portfolio of IP as well that gives them a tech advantage for new products well into the future. Short interest is 1.8% and near decade-lows. Hedge fund ownership rose 26.4% in Q3. Analysts have an average target for shares of \$78 with limited coverage. MSCO a Street High \$85 PT. Tigress positive on 8-16 seeing multi-year tailwinds from the FAA ADS-B mandate for air traffic control technology along with a number of new products that include fitness trainers, smart wearables, Instinct adventure watch, and its Marine ecosystem devices. Barron's positive on 11-4 noting that the company has diversified well away from automotive (just 15% of revs now vs 80% in 2007) and continues to be unaffected by the AAPL watch's growth in popularity.

AFTER HOURS MOVERS

Gainers: COLM 5.5%, SCS 4.8%, CTAS 2.5%

Losers: FIXX -24%, FDX -7%

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

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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
DCP Midstream (DCP)	J2 Global (JCOM)	Tallgrass (TGE)
Adamas (ADMS)	Store Capital (STOR)	Tupperware (TUP)
Clearwater (CLW)	Glaukos (GKOS)	Eastman (KODK)
Tupperware (TUP)	Unilever (UL)	WPX Energy (WPX)
Deciphera (DCPH)	Cintas (CTAS)	DCP Midstream (DCP)
LogMeIn (LOGM)	Navistar (NAV)	Pfenex (PFNX)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Antero (AR)	Glaukos (GKOS)	Verastem (VSTM)
Skyline (SKY)	EPR Properties (EPR)	LogMeIn (LOGM)
Credit Suisse (CS)	Anixter (AXE)	Cel-Sci (CVM)
G-III Apparel (GIII)	J2 Global (JCOM)	Navistar (NAV)
LKQ	Mattel (MAT)	Jabil (JBL)
Medicines Co (MDCO)	ConAgra (CAG)	Axsome (AXSM)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Activision (ATVI)	Gamestop (GME)	Intra-Cellular (ITCI)
Aurora (ACB)	Micron (MU)	Axsome (AXSM)
Peloton (PTON)	Freeport (FCX)	Athenex (ATNX)
Cliff's (CLF)	Transocean (RIG)	GTT Comms (GTT)
Macys (M)	PG&E (PCG)	Wave Life (WVE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Chesapeake (CHK)	Nio (NIO)	Cintas (CTAS)
Netflix (NFLX)	Microsoft (MSFT)	Navistar (NAV)
Citi (C)	Merck (MRK)	Tupperware (TUP)
Tencent (TME)	Walgreens (WBA)	Deciphera (DCPH)
Ford Motor (F)	Alibaba (BABA)	LogMeIn (LOGM)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Rapid7 (RPD)	J2 Global (JCOM)	EA, 500 January 2022 \$120/\$110 strangles sold with stock
Luckin (LK)	Qorvo (QRVO)	HES, 200 January 2022 \$70/\$95 call spreads
Eli Lilly (LLY)	Realty Income (O)	AMGN, 1200 January \$240 straddles sold
Reata (RETA)	Clovis (CLVS)	HHQ, 2000 May \$20/\$30 call spreads for \$3.29
Yandex (YNDX)	Barclays (BCS)	LMT, 1150 January \$400/\$405/\$370/\$365 iron condors

News Continued

Japan raises economic growth forecast for next fiscal year – Reuters

Fed's Kaplan Expects No Change in Rates in 2020 – WSJ

Nvidia (NVDA) Touts Chip Deals With China's Alibaba, Baidu and Didi – NY Times

State Street (STT) takes hit from TD Ameritrade-Schwab merger – FT

Isuzu to buy **Volvo's** UD Trucks in electric tech tieup – Reuters

China aims to increase daily Macau remittance limit (**WYNN, MLCO, MGM, LVS**) – Reuters

Solid Biosciences' (SLDB) Duchenne candidate shows potential therapeutic benefit

Lennox (LII) cuts FY19 CapEx view, affirms FY19 and FY20 outlook

Global Blood (GBT), Syros (SYRS) partner to develop novel therapies for SCD, beta thalassemia

Activision (ATVI) pushes out 'Warcraft 3: Reforged' release date to January 28

Extras

SmartSheet (SMAR) late day buyers of 1,475 January \$45 calls up to \$1.65, nice setup w/ shares back at the November breakout spot and 50-MA

Xerox (XRX) buyers nearly 3000 January \$39 OTM calls late day up to \$0.52

Hess (HES) buyer of 1000 January 24th (W) \$60 calls up to \$2.47 to open

Proof-Point (PFPT) with 300 January \$115 calls bought \$4.20 to \$4.40 to open

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CTAS	Cintas	\$2.27	\$2.02	\$1,843.75	\$1,821.03	7.30%	
FDX	FedEx	\$2.51	\$2.78	\$17,324.00	\$17,685.25	-2.80%	FY Below
SCS	Steelcase	\$0.46	\$0.35	\$955.20	\$934.70	6.00%	FY In Line
GIS	General Mills	\$0.95	\$0.88	\$4,420.8	\$4,428.01	0.02%	
PAYX	Paychex		\$0.68		\$988.26		
TTC	Toro		\$0.45		\$745.03		

FDX – Missed on EPS and Revs, Lowers Outlook - "Our revised guidance reflects lower-than-expected revenue at each of our transportation segments and higher-than-expected expenses driven by continued mix shift to residential delivery services," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "In response, we are implementing reductions to the global FedEx Express air network to better match capacity with demand. We are also further restricting hiring and pursuing opportunities to optimize our networks, including investments in technology aimed at improving our productivity and lowering our costs. We have significantly enhanced our e-commerce capabilities with strategic initiatives including year-round seven-day FedEx Ground delivery, enhanced large package capabilities and the insourcing of FedEx SmartPost packages. These changes have been well-received by the marketplace as reflected in our record volumes this peak season. While we have experienced some higher-than-expected expenses this quarter, we forecast FedEx Ground operating margins to rebound to the teens in our fiscal fourth quarter as the bow wave of costs for these changes is absorbed."