

**TOP STORIES**

- US, China Close to Deal on Tariff Rollback Despite Hong Kong Tensions
- US Passes Bill to Sanction China Over Mass Detention of Muslims
- Ross: US Hasn't Ruled Out Auto Tariffs
- OPEC, Others Gearing Up for Deeper Oil Cuts, Russia Yet to Agree
- North Korea Warns US in Sign Kim's Set to Increase Tensions

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3105.5 (14.5)</b>	<b>12.70</b>
<b>Nasdaq</b>	<b>8303.25 (52)</b>	<b>46.51</b>
<b>Dow</b>	<b>27630 (143)</b>	<b>133.19</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7175.7</b>	<b>0.24%</b>
<b>DAX</b>	<b>13130.15</b>	<b>1.08%</b>
<b>Nikkei</b>	<b>23135.23</b>	<b>-1.05%</b>
<b>Hang Seng</b>	<b>26062.56</b>	<b>-1.25%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
8:30	Int'l Trade	
8:30	Weekly Claims	
10:00	Randal Quarles Speaks	
10:00	Factory Orders	0.3%

**FOREX**

<b>EUR/USD</b>	<b>1.1072 (-0.08%)</b>
<b>USD/JPY</b>	<b>108.63 (0.01%)</b>
<b>USD/CAD</b>	<b>1.3276 (-0.14%)</b>
<b>GBP/USD</b>	<b>1.3071 (0.61%)</b>

**COMMODITY**

<b>Oil</b>	<b>57.06 (1.71%)</b>
<b>Natural Gas</b>	<b>2.394 (-1.93%)</b>
<b>Gold</b>	<b>1481.6 (-0.19%)</b>
<b>Copper</b>	<b>2.6455 (0.86%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>15.8 (+5.97%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.07 (+5.53%)</b>
<b>Oil</b>	<b>OVX</b>	<b>35.01 (+0.11%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>12.12 (12.55%)</b>

**MARKET OUTLOOK**

Futures are indicating a higher open for the morning after a Bloomberg article hit around 4:06 citing optimism over US and China trade talks. The note indicated that the two sides are close to agreeing on the amount of tariffs to be rolled back in Phase One and were making progress despite tensions over Hong Kong. The USTR still expects a deal to be done by the 12/15 deadline but many outstanding issues remain (ag, IP, etc.). As has been the case for a while now, nothing incrementally new about the headlines but trade is really the only thing moving the indices right now so that remains the focus. Elsewhere, we had a positive slate of economic data (see below) while OPEC likely preparing for more cuts. UK's Boris Johnson seems on his way to a healthy majority in Dec. elections.

Asian markets were most lower overnight with Hong Kong down over 1.25%. The Nikkei also down over 1%. These closes came before the headline on trade that obviously changed things. **Fast Retailing** down 5% after weak SSS in Nov.

European markets have rebounded from early lows and now firmly in the green on the day. The DAX leading up over 1% and on pace for its biggest gain in a month. **ASML** helping lifting the semis up 2.5% on a positive note from JP Morgan. **Infinion** and **ST Micro** also strong after **MCHP's** upbeat guidance. **Airbus** up 2% after winning a \$7b order from UAL. Swedish industrial **Trelleborg** up 5.5% after announcing a restructuring plan. **Orange** down 4% after announcing their capital return for 2020 and plans for more asset sales (recent talk of a sale outright). **Ahold** up slightly after announcing a new €1B buyback. Ad agency **M&C Saatchi** fell 45% after cutting their outlook after a significant accounting error.

It was a busy night for **economic data**. China Caixin services PMI came in strong at 53.5 vs 51.2. Hong Kong manufacturing PMI fell to 38.5 vs 40.2 forecast, the lowest in more than five years. Japan services PMI missed as well but back above 50. EU services topped estimates at 51.9 while composite PMI also beat estimates and back above 50. German and UK services data also came in strong. In the US, MBA mortgage applications fell 9.4% this week.

**S&P TECHNICALS**

**Levels:** Support 3,050/3,000; Resistance 3,150/3,200



4577 Above SMA50	Below 3172
59.1%	40.9%
4523 Above SMA200	Below 3226
58.4%	41.6%

**KEY EVENTS**

**Earnings After the Close:** HOME, DSGX, ESTC, FIVE, GEF, HRB, RH, SMTC, WORK, SMAR, SPWH, SNPS, TLYS, VRNT

**Analyst Days:** ORAN

**Conferences:** Citi Basic Materials, Credit Suisse Industrials, Credit Suisse TMT, Piper Healthcare, and Wells Fargo TMT

**Tomorrow...** Trade balance at 8:30am, Factory orders at 10:00; **Earnings** from BF.B, CM, DG, DLTH, EXPR, GMS, JILL, KIRK, KR, MEI, MIK, PDCO, SCWX, SIG, TIF, TD

**ANALYST ACTION/COMMENTS**

**Softbank** upgraded to Buy at HSBC

**AK Steel (AKS)** upgraded to Neutral at JP Morgan

**Zimmer Bio (ZBH)** upgraded to Strong Buy at Raymond James, \$170 PT

**Atmos Energy (ATO)** upgraded to Buy at UBS

**NetEase (NTES)** upgraded to Buy at Goldman

**Bank of Montreal (BMO)** upgraded to Buy at CIBC

**Woodward (WWD)** upgraded to Buy at Jefferies

**Viewray (VRAY)** downgraded to Neutral at B Riley

**Marvell (MRVL)** downgraded to Neutral at BMO

**Eaton (ETN)** downgraded to Hold at Deutsche Bank

**Workday (WDAY)** downgraded to Neutral at Compass Point

**Owens Corning (OC)** downgraded to Neutral at BAML

**STAAR Surgical (STAA)** initiated Buy at BTIG

**Mesa Labs (MLAB)** initiated Buy at Jefferies

**Herbalife (HLF)** assumed Buy at Citi, \$55 PT

**36Kr (KRKR)** initiated Buy at Needham, \$14 PT

**iRobot (IRBT)** checks show holiday season off to good start, says Piper Jaffrey

**UnitedHealth (UNH)** price target raised to \$318 from \$288 at Wells Fargo

**MEDIA HIGHLIGHTS**

Icahn urges **HP (HPQ)** to push ahead with **Xerox (XRX)** tie-up talks, Bloomberg

**Orange (ORAN)** CEO: Vestager 'open' to pan-European telecoms mergers - Reuters

Investor group files complaint against **Embraer (ERJ)**, **Boeing (BA)** deal – Reuters

Global semi sales to rebound in 2020, 2021 – Digitimes

**Hyundai** Commits \$17 Billion to Tackle Electric, Driverless Cars – Bloomberg

**Navistar (NAV)** Accused of Bilking \$1.3 Billion in Defense Contract – Bloomberg

**United (UAL)** Nears \$7 Billion Order for Longest-Range Airbus A321 Jet – Bloomberg

**Yankees** teaming up with **Amazon (AMZN)** to stream games – NY Post

**Nintendo** to market Switch console in China – Nikkei

German new car sales to fall 6.2% in 2020 – Reuters

China Stockpiles U.S. Chips Amid Trade War (**SMH**) – Bloomberg

U.S. has not ruled out imposing tariffs on imported autos (**F**, **GM**, **FCAU**) – Reuters

**Blackberry (BB)** is struggling to monetize its patent portfolio – Bloomberg

**Postmates** closing Mexico business to focus on US – Reuters

**Qualcomm (QCOM)** record \$854M fine upheld in South Korean courts – Reuters

**STOCK SPECIFIC NEWS OF NOTE**

**Fortinet (FTNT)** announces new AWS solution

**Old Dominion (ODFL)** reports November LTL revenue per day down 3.2%

**GoPro (GPRO)** reports 30% growth in Black Friday / Cyber Monday U.S. sales

**Kings & Convicts** to acquire **Ballast Point** from **Constellation Brands (STZ)**

**Alphabet (GOOGL)** CEO Larry Page to step down, Sundar Pichai to be CEO

**MasterCard (MA)** increases dividend 21%, authorizes \$8B share repurchase program

**Microchip (MCHP)** raises Q4 guidance

**PRE-MARKET MOVERS**

**Moving Higher:** TTM 7%

**Moving Lower:** ARWR -5.7%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** PGRE, RRGB, PANW, AGO, AR, FTAI

**Selling:** NVEE, SKY, MORN, UBER, BYND, MRNA, JEF, NOW, SPLK, FN, BBY, CDLX

**POTENTIAL SYMPATHY TRADES**

**STM, ADI, MXIM, TXN** – on MCHP improved guidance

**CMI, NAV, JBHT, PCAR** – on Class 5-8 orders for Nov

**OPTION HIGHLIGHTS (Prior Day)**

**VMWare (VMW)** with buyers of 2,800 April \$160 calls today up to \$8 to open, sizable trade, and still has 2500 Jan. 2021 \$180/\$100 bull risk reversals in OI from buyers in mid-September. Shares have traded weak since earnings last week and just above the 61.8% retracement of the rally from August up to \$170. VMW is in a long-term uptrend and key support from the 2016 low is just below around \$140. A move above \$175 key to reclaiming the trend with an initial target of \$200. The \$65.1B company trades 6.8X EV/sales and 22X cash with low-double digit EPS growth and revenues up 11.5% next year. VMW is coming off a mixed quarter with a lot of moving parts but continue to see plenty of runway for long-term growth through DevOps, networking and security. They expect both of their recent deals, CBLK and PVTI, to drive near-term pressure but gives them a strong and growing platform in both application modernization and endpoint security. Short interest is 2%. Hedge fund ownership down double-digits last quarter. Analysts have an average target for shares of \$178. Wells Fargo with a \$200 PT while RBC also raising estimates seeing low-double digit revenue growth and well positioned to gain on hybrid-cloud offerings. They also like the recent strength from their China offerings and FCF yield vs peers.

**AFTER HOURS MOVERS**

**Gainers:** HQY 14%, OMI 5%, MRVL 3%, GIII 2.4%

**Losers:** RVNC -10%, RLMD -8.5%

**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	129.83	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	78	Extreme Greed
NYMO	12.28	Neutral
NYSE New Highs	74	Neg. Divergence
McClellan Summation	560.26	Below 8-EMA but Rising
Cumulative AD	191627	Supportive
VXV:VIX	1.23	Elevated
Lipper Fund Flows	+\$165M	Neutral
Univ. of Michigan Consumer Sentiment	96.8 (November)	-0.7%

**SMART MONEY (13g/13d Filings)**

**IPO MONITOR**

Nothing Scheduled

**SECONDARY MONITOR**

**Cannae (CNNE)** 6.5M secondary prices \$33

**Relmada (RLMD)** 3.33M secondary prices \$30

**Arrowhead (ARWR)** 4M secondary prices \$58

**Kodiak (KOD)** 6M secondary prices \$46

**Viewray (VRAY)** 41.55M secondary prices \$3.13

# TRADE

## WEEKLY TECHNICAL BREAKOUT

LMT :



**Lockheed Martin (LMT)** shares are consolidating in a smaller bull flag above the 8-EMA and just below the September highs. A move over \$395 has a short-term move to \$405 but longer-term the range breakout targets \$430.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Allegiant Travel (ALGT)

**Price:** \$169.75

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>10.2X</b>	<b>1.56X</b>	<b>3.29X</b>	<b>7.3X</b>	
<b>Industry Avg.</b>	<b>11.8X</b>	<b>0.6X</b>	<b>1.7X</b>	<b>7.8X</b>	<b>15.7X</b>

**Analysis:** ALGT is a \$2.79B travel operator that serves smaller, under-represented markets in the US. They have been undergoing a costly revamp of their fleet from the older Boeing MD-80s to the new Airbus A320 that is helping drive improved long-term revenue guidance. They have a key asset in SunSeeker, a series of destination resorts on the East Coast. Their next big opening is in early 2021 in Charlotte, delayed slightly from the late 2020 projection.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

TERP:



**TerraForm (TERP)** is forming a post-earnings bear flag just below the declining 20-MA and 50-MA with a breakdown under \$15 targeting a big VPOC at \$14. Momentum has shifted quite a bit from the 8-/20-EMA crossover recently and under the 200-day opens up more pressure.

## PAIR TRADE OF THE WEEK

**Industry:** Denim Jeans

**Long/Short:** Long Levi (LEVI), Short Kontoor (KTB)

**Analysis:** LEVI is coming off a strong quarter with a focus on higher-margin, higher opportunity businesses as well as double-digit growth Internationally in their emerging DTC business. US wholesale comps should also improve in 2020. KTB is lagging Internationally, a key area for denim growth, while SG&A spend will likely need to be boosted to fit their growth plan.

## SMALL CAP TRADE OF THE WEEK

**Arcos Dorados (ARCO)** is a \$1.56B franchisee of McDonalds restaurants in Latin America with the largest footprint in Argentina, Brazil, and Mexico. ARCO trades cheap at 0.52X sales with a 1.56% yield and mid-teens growth. ARCO has been undergoing a big remodel push as well as digital revamp which is helping it outpace peers despite a softer consumption environment. ARCO's app had 15m downloads in Brazil last quarter, a lot of room for growth and expansion beyond coupons.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Innoviva (INVA)	Taubman (TCO)	Constellation (CNST)
Editas (EDIT)	Brighthouse (BHF)	Just Energy (JE)
Fossil (FOSL)	Aerovironment (AVAV)	Viewray (VRAY)
Revance (RVNC)	Jacobs (JEC)	Plug Power (PLUG)
Norton (NLOK)	Paylocity (PCTY)	Money Gram (MGI)
Zagg (ZAGG)	Ameriprise (AMP)	Gamestop (GME)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Ameris (ABCB)	Grupo Televisa (TV)	FuelCell (FCEL)
Ironwood (IRWD)	Taubman (TCO)	Ardelyx (ARDX)
Prudential (PUK)	Echostar (SATS)	Lands End (LE)
Gentex (GNTX)	Affiliated Managers (AMG)	Audentes (BOLD)
Berry Global (BERY)	NeoPhotonics (NPTN)	Coupa Software (COUP)
Wright Medical (WMGI)	Mattel (MAT)	ChemoCentryx (CCXI)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
SM Energy (SM)	Verastem (VSTM)	Wave Life (WVE)
Oasis (OAS)	Weibo (WB)	Axsome (AXSM)
Digital Turbine (APPS)	Barrick (GOLD)	SAGE Therapeutics (SAGE)
Aurinia (AUPH)	Valaris (VAL)	Apellis (APLS)
Fire-Eye (FEYE)	RH (RH)	Clovis (CLVS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Silver (SLV)	Apache (APA)	Jacobs (JEC)
Comcast (CMCSA)	Apple (AAPL)	Paylocity (PCTY)
Cliff's (CLF)	Clovis (CLVS)	Ameriprise (AMP)
Oasis (OAS)	Disney (DIS)	Norton (NLOK)
Micron (MU)	Microsoft (MSFT)	Zagg (ZAGG)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Ross Stores (ROST)	Cisco (CSCO)	VLO, 2,910 March \$100/\$110 call spreads
Altice (ATUS)	Elastic (ESTC)	SLB, 7,270 February \$37.5/\$42.5 call spreads
Valero (VLO)	Gamestop (GME)	LBTYK, 10,000 April \$22.5/\$27.5 call spreads
Ford Motor (F)	Pepsi (PEP)	MPC, 4750 April \$62.50/\$70 call spreads
Schlumberger (SLB)	Hormel (HRL)	KSU, 1000 March \$155/\$145 strangles sold

## News Continued

November Class 5-8 truck orders fell 38% Y/Y. Act Research

**Twitter (TWTR)** aiming to raise \$600M through sale of high-yield debt. WSJ

**Saudi Aramco** mulls pricing IPO at top end of marketed range – Bloomberg

## Extras

**Lions Gate (LGF.A)** with a buyer of 1000 June 2020 \$11 calls for \$1.44, a lot of January and March call open interest and name discussed as an M&A target for a while

**Shopify (SHOP)** afternoon buyers of 2000 December \$390 OTM calls \$2.40 to \$2.70

**EQT Corp (EQT)** buyer of 2000 June \$9 straddles for \$3.50

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AVAV	AeroVironment	\$0.34	\$0.29	\$83.30	\$80.53	14.10%	
HQY	HealthEquity	\$0.47	\$0.23	\$157.12	\$152.38	122.90%	FY In Line
MRVL	Marvell	\$0.17	\$0.17	\$662.00	\$660.94	-22.20%	FY In Line
CRM	Salesforce	\$0.75	\$0.66	\$4,513.00	\$4,448.62	33.00%	
WDAY	Workday	\$0.53	\$0.37	\$938.10	\$920.65	26.20%	FY In Line
ZS	Zscaler	\$0.03	\$0.01	\$93.59	\$89.81	47.90%	

**CRM – Beat on EPS and Revs** - "We're now on track to double our revenue in five years," said Marc Benioff, Chairman and co-CEO, Salesforce. "With Customer 360, only Salesforce is providing companies with a single source of truth, bringing them even closer to their customers across every touchpoint." "We had strong growth across our clouds and regions in the quarter as more companies turn to Salesforce as a trusted advisor in their digital transformations," said Keith Block, co-CEO, Salesforce. "With these trusted customer relationships, continuous innovation and our phenomenal Trailblazer ecosystem, we have never been better positioned for the future."

**WDAY – Beat on EPS and Revs** – "We executed well in the third quarter and delivered strong results, with subscription revenue growth of 28% and non-GAAP operating margin of 15%," said Robynne Sisco, co-president and chief financial officer, Workday. "We are well positioned as we enter our seasonally strongest quarter, and we are raising our fiscal 2020 subscription revenue outlook to \$3.085 billion to \$3.087 billion. We expect fourth-quarter subscription revenue of \$828.0 million to \$830.0 million. Our focus remains on driving durable growth, while also progressing towards our longer-term margin goals."

**MRVL – EPS In Line and Revs Beat** - "Marvell delivered solid results for the Q3 and I am pleased that our storage business grew sequentially led by a strong performance from our enterprise and datacenter products. In addition, we ramped our first 5G product shipments in volume, successfully responding to our customer's aggressive schedule requests, ahead of the plan we had laid out early this year," said the company. "We also recently completed the strategic acquisitions of Aquantia, a pioneer in multi-gig ethernet, and Avera, a leader in custom ASICs. These acquisitions broaden our technology portfolio for infrastructure customers and expand our addressable market by approximately \$4B."

**ZS – Beat on EPS and Revs** - Calculated billings grew 37% year-over-year to \$88.3M in Q1. "We delivered strong revenue growth and non-GAAP profitability in Q1 while significantly investing in our business to pursue our large market opportunity. We are committed to scaling all elements of our go-to-market strategy, as we see enterprises increasingly transforming their network and security to realize the benefits of the cloud," said Jay Chaudhry, chairman and CEO of Zscaler. "I am confident that our new sales leadership, coupled with our cloud-native security platform, is strengthening our foundation for the long-term growth of our business."

### Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BNED	Barnes & Noble Education		\$0.95		\$773.79		
CPB	Campbell Soup	\$0.78	\$0.71	\$2,183.00	\$2,195.41	-0.90%	
GIII	G-III Apparel	\$1.99	\$1.94	\$1,128.40	\$1,167.96	5.20%	
JW.A	John Wiley & Sons		\$0.65		\$470.52		
RY	Royal Bank of Canada	\$2.18	\$2.29	\$11,370.00	\$11,650.20	6.60%	