

TOP STORIES

- US, China Officials Remain in Close Contact on Trade as Tariff Rollback Talks Continue
- Japan Unveils \$120B Fiscal Stimulus Package
- Iraq Drops Request to Deepen OPEC+ Cuts as Talks Kick Off in Vienna
- RBI Unexpectedly Holds Key Rate

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3122.5 (11.5)	10.04
Nasdaq	8336 (40.75)	37.47
Dow	27753 (110)	103.22

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7182.56	-0.08%
DAX	13160.75	0.15%
Nikkei	23300.09	0.71%
Hang Seng	26217.04	0.59%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Int'l Trade	
8:30	Weekly Claims	218k
10:00	Factory Orders	0.3%

FOREX

EUR/USD	1.1092 (0.14%)
USD/JPY	108.88 (0.03%)
USD/CAD	1.3181 (-0.14%)
GBP/USD	1.3137 (0.26%)

COMMODITY

Oil	58.74 (0.53%)
Natural Gas	2.42 (0.88%)
Gold	1480.3 (0.01%)
Copper	2.668 (0.34%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.60 (-8.5%)
Nasdaq	VXN	18.28 (-4.59%)
Oil	OVX	32.12 (-8.36%)
Gold	GVZ	11.41 (-6.09%)

MARKET OUTLOOK

Futures are indicating a higher open again today after a quiet overnight session. Trade remains the focus with the 12/15 tariff deadline in focus. There was a Bloomberg article that hit around 2:45am that suggested that China and US officials remain in close contact as the former pushes for tariff cuts. Elsewhere, India surprised markets by keeping rates unchanged overnight. Expectations had been for another cut amid a slowdown in the economy as they cut their GDP outlook again (now 5% vs 6.1% prior). OPEC kicked off its meeting in Vienna this morning with the focus on a potential 400K bpd increase to production cuts. Iraq reportedly is set to drop their request for deeper cuts but as usual Saudi Arabia the important actor to watch. Japan announced a massive new stimulus package.

Asian markets were strong again this morning with the Nikkei back above its 20-day MA. Steelmakers were strong after a couple positive sell-side notes. **Nippon Steel** up 6.7%. Cement makers and other materials names also strong with a new \$120B stimulus package announced by PM Abe.

European markets are mostly higher this morning as well, although the FTSE a bit of a laggard. Retail a strong spot this morning with **Moncler** up about 9% after being approached by Kering about a deal. Other luxury names like **Burberry** and **Hugo Boss** higher in sympathy. **Ryanair** trading up 90 bps after cutting their passenger traffic forecast. **Royal Mail** down 3.3% after earnings.

Finally, turning to **economic data** last night. Australian retail sales came in light at 0.0% vs 0.3%. India kept rates unchanged in a surprise move with most of the Street looking for a cut. German factory orders fell 0.4% vs forecasts for a 0.3% gain. Spanish industrial production came in weak as well. Eurozone GDP was in line at 1.2%. Retail sales slowed in October to 1.4% vs 2.2%.

S&P TECHNICALS

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



5329 Advancing	Declining 2128
67.9%	27.1%
168 New High	New Low 60
73.7%	26.3%
4892 Above SMA50	Below 2857
63.1%	36.9%
4718 Above SMA200	Below 3031
60.9%	39.1%

KEY EVENTS

Earnings After the Close: AOBC, CLDR, COO, CRWD, DOCU, DOMO, GWRE, MDLA, OKTA, PD, SAIC, ULTA, YEXT, ZM, ZUMZ, ZUO

Analyst Days: WFC, WMB, EW

Conferences: Credit Suisse Industrials, Credit Suisse TMT, and Piper Healthcare

Tomorrow... Non-farm payrolls and unemployment rate at 8:30am, Wholesale Inventories at 10:00, Michigan Consumer Sentiment at 10:00

Earnings: BIG

ANALYST ACTION/COMMENTS

Yeti (YETI) upgraded to Buy at Goldman

Nike (NKE) upgraded to Conviction Buy at Goldman

Markel (MKL) upgraded to Buy at RBC Capital

WR Berkley (WRB) upgraded to Buy at RBC Capital

Brown & Brown (BRO) upgraded to Neutral at MSCO

Live Oak (LOB) upgraded to Buy at Sun Trust

Chewy (CHWY) upgraded to Buy at MSCO

Facebook (FB) upgraded to Buy at Stifel

Google (GOOGL) upgraded to Buy at Stifel

Royal Gold (RGLD) downgraded to Sell at RBC Capital

Whiting (WLL) downgraded to Neutral at Keybank

Waters (WAT) downgraded to Neutral at BTIG

Xylem (XYL) downgraded to Hold at Jefferies

Hartford (HIG) downgraded to Neutral at RBC

Discover (DFS) downgraded to Neutral at Nomura

Synchrony (SYF) downgraded to Neutral at Nomura

F-5 Networks (FFIV) downgraded to Sell at BAML

Etsy (ETSY) downgraded to Sell at MSCO

Facebook (FB) initiated Sell at HSBC

Paypal (PYPL), Visa (V), Mastercard (MA) initiated Buy at Compass Point

Knight Swift (KNX) initiated Conviction Buy at Goldman

MEDIA HIGHLIGHTS

Tesla (TSLA) Competitor **NIO** Launches Another SUV in China - Bloomberg

Amazon (AMZN) Faces Widening U.S. Antitrust Scrutiny in Cloud Business - Bloomberg

China Spends \$29 Billion on Pampering Pets as Birthrate Slows - Bloomberg

Huawei files appeal in U.S. court against FCC's rural carrier purchase ban - Reuters

Telus International (TU) to buy Competence Call Centers for \$1B - Reuters

DexCom's (DXCM) 'Follow' feature back on line following outage - WSJ

NAND flash to grow fastest in 2020 – Digitimes

F1 Billionaire Lawrence Stroll Considering Bid for **Aston Martin** – Bloomberg

Kering Holds Exploratory Talks on Deal for **Moncler** – Bloomberg

Ericsson (ERIC) Nears U.S. Bribe Settlement That Could Cost More Than \$1 Billion – Bloomberg

Disney (DIS), Fox (FOXA) Deal Stalled in Mexico by **Televisa (TV)** Injunction – Bloomberg

Securitas targets doubling of electronic security sales by 2023 to over \$4B – Reuters

STOCK SPECIFIC NEWS OF NOTE

Ackman's Pershing Square raises stake in **Howard Hughes Corp (HHC)**

NetApp (NTAP) gets CA data center modernization contract

Wayfair (W) reports 5-day holiday shopping weekend direct retail sales rose 36%

Aurinia Pharmaceuticals (AUPH) says AURORA Phase 3 trial meets primary endpoint

Verint (VRNT) to separate into two independent publicly traded companies

Acadia's (ACAD) Pimavanserin met endpoints in Ph 3 trial for dementia-related psychosis

Sage Therapeutics' (SAGE) Sage-217 fails to meet endpoint in Phase 3 depression study

Anixter (AXE) in talks on deal at \$90/share, above \$82.50 offered by CD&R

Costco (COST) November Comps +4.3% vs consensus +3.7%

PRE-MARKET MOVERS

Moving Higher: ACAD 19.5%, PCG 6%, DG 4.7%, WORK 4.4%, NKE 2.2%

Moving Lower: SAGE -60%, MIK -13%

INSIDER TRADING (Form 4 Filings)

Buying: FIX, PB, BANC, HSAC, NBL, DLTR

Selling: HRL, CTXS, F, CTSH, FORM, ILMN, CRM, FTNT, TTD, SPAR, JBL, RS, GBT, VRTU

POTENTIAL SYMPATHY TRADES

GLPG – on SAGE trial failure

INTU – on HRB earnings

DLTR, WMT, TGT – on DG earnings

WSM – on RH earnings

OPTION HIGHLIGHTS (Prior Day)

Sanofi (SNY) buyers of 3,000 January \$48 calls this morning up to \$1.20 and volumes now over 9,450 and trading 15X average. SNY has seen buyers in the March \$47 and \$49 calls as well as the December \$48 calls recently. SNY shares are trading in a weekly bull flag under \$47.50 after a strong run from the July lows. Longer-term, SNY is near a big downtrend breakout from the 2014 highs that measures out to \$65. The \$113.65B company trades 13X earnings and 2.8X sales with a 3.8% yield and high-single digit EPS growth. SNY is coming off a strong quarter with improvement again for Dupixent and optimism around flu sales going into year-end and peak season. SNY continues to have a lot of portfolio optionality as well with reports on 11-21 that new CEO Paul Hudson is exploring options for their \$30B consumer health business. A review of the business could include a spin or merger much like several peers have done already and would allow them to focus more on fast-growing areas. Analysts have an average target for shares of \$52 with 6 buy ratings and 2 hold. MSCO upgrading to Overweight on 9-20 and think it outperforms other mega-cap peers given its lack of major patent cliffs and the "largely de-risked" nature of pipeline drugs in the late stages. Guggenheim upgrading to Buy on 9-23 seeing accelerating uptake for Dupixent across Asthma and Atopic Dermatitis, and several other indications. They also think emerging markets should stabilize some of their core products while diabetes and vaccines growth looks sustainable. Short interest is minimal and hedge fund ownership fell slightly in Q3. Eversept Partners and Balyasny notable buyers.

AFTER HOURS MOVERS

Gainers: AUPH 120%, VRNT 7.7%, RLMD 7%, FIVE 5.6%

Losers: HOME -40%, ESTC -14.5%

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

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
Stock	10.2X	1.56X	3.29X	7.3X	
Industry Avg.	11.8X	0.6X	1.7X	7.8X	15.7X

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>
Jet Blue (JBLU)	Ferro (FOE)	Jounce (JNCE)
Melco (MLCO)	Taubman (TCO)	Verastem (VSTM)
Nuance (NUAN)	Cincinnati Bell (CBB)	Bluebird (BLUE)
Sanofi (SNY)	Macerich (MAC)	Inseego (INSG)
Canadian Pacific (CP)	Affiliated Managers (AMG)	Ardelyx (ARDX)
Fossil (FOSL)	Danaher (DHR)	Gamestop (GME)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Eagle Pharma (EGRX)	Avnet (AVT)	Novavax (NVAX)
Sunesis (SNSS)	Echostar (SATS)	Zscaler (ZS)
Gentex (GNTX)	HMS Holdings (HMSY)	ArQule (ARQL)
Ironwood (IRWD)	USA Truck (USAK)	Akebia (AKBA)
Syndax (SNDX)	Darling (DAR)	Editas (EDIT)
Care.com (CRCM)	Mimedx (MDXG)	Myovant (MYOV)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
SM Energy (SM)	Weibo (WB)	Wave Life (WVE)
Concho (CXO)	Audentes (BOLD)	Axxome (AXSM)
Big Lots (BIG)	Barrick (GOLD)	SAGE Therapeutics (SAGE)
Immunomedics (IMMU)	Intra-Cellular (ITCI)	Apellis (APLS)
At Home (HOME)	Merck (MRK)	Clovis (CLVS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
PG&E (PCG)	Nio (NIO)	Macerich (MAC)
Bank of America (BAC)	Apache (APA)	Affiliated Managers (AMG)
Hecla (HL)	Beyond Meat (BYND)	Danaher (DHR)
Bristol Myers (BMY)	Canopy (CGC)	Canadian Pacific (CP)
Sorrento (SRNE)	Snap (SNAP)	Fossil (FOSL)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
DuPont (DD)	GoPro (GPRO)	DG, next week \$155/\$165 call ratio spread 750X1500
Pinduoduo (PDD)	Deere (DE)	AUPH, 10,000 January \$10/\$15 call spreads
Philips 66 (PSX)	Ionis (IONS)	MCHP, 1,400 April \$110/\$125 call spreads
Nuance (NUAN)	IntelSat (I)	TLT, 3000 February \$136/\$133 put spreads
Teck Resources (TECK)	Alibaba (BABA)	PVH, January \$100/\$110 call spread bought 1000X2000

News Continued

AstraZeneca (AZN), Merck (MRK) Lynparza wins approval in China for ovarian cancer – Reuters

Euronext to buy control of Nordics power market operator **Nord Pool** – Reuters

A Bumpy Road For Electric Vehicles in China – WSJ

Warren Is Drafting U.S. Legislation to Reverse 'Mega Mergers' – Bloomberg

Saudi Aramco's bookrunners recommend pricing IPO at top end – Reuters

GM, LG Chem to announce EV battery joint venture in Ohio – Reuters

Uber (UBER) may offer courier services for retail business – Reuters

J.Jill (JILL) CEO Linda Heasley steps down

The Buckle (BKE) reports November SSS down 1.6%

Regeneron's (REGN) pozelimab achieves positive topline results in Phase 2 PNH trial

Fastenal (FAST) reports November sales up 0.7%

MetLife (MET) to acquire PetFirst Healthcare

Edwards (EW) affirms FY outlook

Extras

Carnival (CCL) late day sweep buyer of 1000 December \$45 puts \$2.05 offer

Target (TGT) spread sold 1000 Dec. 27th (W) \$119 puts and bought the \$125/\$129 ratio call spread 1000X2000

Vail (MTN) buyer of 250 July \$280 calls to open at \$6 offer into earnings 12-9

Biotech Focus

Spectrum (SPPI) with a key upcoming catalyst from Phase 2 data for their NSCLC treatment poziotinib in patients with an exon 20 mutation. Data from the first cohort is expected in December while Cohort 2 is out in mid-2020. This is a small niche of patients within the lung cancer realm with around 7,000 patients total in the US (4-9%). Peak sales estimates are around \$300M. The exon 20 insertions cause complications within NSCLC patients by adding additional amino acids to the protein sequencing restricting access to the binding pocket of the kinase active site. Poziotinib is a TKI that targets those

mutations and has been shown to inhibit continued expansion which assists in cancer cell death. Early data at the World Lung Conference this year showed a 43% remission rate – similar to peer TAK-788 and some skepticism for SPPI due to the fact that it was from only one site. The data follows a winding history for the drug. Initially, it was acquired from Hanmi and was being developed in breast cancer. But, MD Anderson found it was effective in exon 20 mutations and they shifted on to mutated lung. SPPI had applied earlier this year for breakthrough therapy designation for the drug but was denied by the FDA, a setback for the company as they look to enter the market. B Riley was out earlier this Summer with an \$18 PT noting they think poziotinib has blockbuster potential and can transform the rapidly changing NSCLC paradigm. Cantor noting earlier this year that with no approved drugs in exon 20, the efficacy bar is likely pretty low. They think a 40% ORR is certainly a positive for the stock but anything above 35% can move shares as well. After conversations with investors, they definitely think there will be a step down from the WLC data, with upside to \$20/share+ and downside of \$3-\$5/share which is cash level.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
HOME	At Home Group	\$0.00	-\$0.02	\$318.70	\$314.84	19.30%	FY Below
CMTL	Comtech Telecom	\$0.32	\$0.13	\$170.30	\$153.83	5.90%	
DSGX	Descartes	\$0.11	\$0.12	\$83.00	\$82.62	18.60%	
ESTC	Elastic	-\$0.22	-\$0.31	\$101.10	\$96.51	59.00%	FY In Line
FIVE	Five Below	\$0.18	\$0.17	\$377.40	\$373.64	20.70%	FY In Line
GEF	Greif	\$1.24	\$1.09	\$1,232.10	\$1,264.40	24.70%	FY In Line
HRB	H & R Block	-\$0.85	-\$0.92	\$161.00	\$162.90	8.10%	
POWL	Powell Inds	\$0.56	\$0.38	\$148.50	\$139.04	10.10%	
PGNY	Progyny	\$0.03	\$0.02	\$61.20	\$60.83	120.10%	FY In Line
RH	RH	\$2.73	\$2.25	\$676.70	\$676.54	6.30%	
SMTC	Semtech	\$0.41	\$0.40	\$141.00	\$140.15	-18.80%	FY In Line
WORK	Slack	-\$0.02	-\$0.08	\$168.70	\$156.14	59.80%	FY In Line
SMAR	Smartsheet	-\$0.15	-\$0.18	\$71.50	\$69.83	52.50%	
SPWH	Sportsmans	\$0.25	\$0.25	\$242.50	\$235.39	8.70%	
SNPS	Synopsis	\$1.15	\$1.13	\$851.10	\$847.34	7.00%	
TLYS	Tilly's	\$0.23	\$0.21	\$154.80	\$154.19	5.40%	
VRNT	Verint Systems	\$0.94	\$0.86	\$331.10	\$332.96	7.50%	
AZZ	AZZ	\$0.59	\$0.56	\$236.20	\$234.90	6.00%	FY In Line
BF.B	Brown-Forman		\$0.52		\$972.60		
CM	CIBC	\$2.84	\$3.06	\$4,772.00	\$4,756.60	7.20%	
DG	Dollar General	\$1.42	\$1.38	\$6,991.40	\$6,893.86	8.90%	FY In Line

DLTH	Duluth Trading Co		-\$0.05		\$114.98		
EXPR	Express	-\$0.03	-\$0.09	\$488.50	\$483.25	-5.10%	
GMS	GMS	\$1.00	\$0.99	\$861.90	\$860.95	3.40%	
KLXE	KLX Energy Services	-\$0.22	\$0.06	\$134.50	\$161.20	-18.40%	
KR	Kroger		\$0.49		\$28,184.53		
MEI	Methode Electronics	\$0.85	\$0.86	\$257.20	\$281.89	-2.60%	FY In Line
MIK	Michaels Stores	\$0.40	\$0.49	\$1,222.02	\$1,259.01	-4.10%	FY Below
PDCO	Patterson	\$0.39	\$0.35	\$1,418.74	\$1,415.72	1.00%	FY In Line
SCWX	SecureWorks	\$0.01	-\$0.03	\$141.33	\$136.12	6.20%	
SIG	Signet Jewelers	-\$0.76	-\$1.09	\$1,187.70	\$1,143.88	-0.30%	FY In Line
SY	So-Young	\$0.29	\$0.62	\$302.40	\$305.93	79.70%	FY Below
TIF	Tiffany & Co	\$0.65	\$0.85	\$1,014.60	\$1,039.89	0.20%	
TD	Toronto-Dominion	\$1.59	\$1.74	\$10,340.00	\$10,083.85	2.00%	

VRNT – Beat on EPS and Missed on Revs - "We are pleased with our third quarter performance and the successful execution of our strategic plan. In Customer Engagement, we experienced strong cloud momentum evidenced by strong cloud revenue growth and strong new SaaS bookings growth. In Cyber Intelligence, our transition to a software model is ahead of this year's plan with strong gross margin expansion. We believe our strong operational execution coupled with the strategic initiatives discussed below will position both businesses to continue to prosper and drive shareholder value long-term," said Dan Bodner, CEO of Verint.

WORK – Beat on EPS and Revs - "Revenue growth was 60% year-over-year, driven by strong growth upmarket," said Allen Shim, Chief Financial Officer at Slack. "We ended the quarter with 821 Paid Customers greater than \$100,000 in annual recurring revenue, which is up 67% year-over-year. We also exceeded 50 Paid Customers with greater than \$1 million in annual recurring revenue for the first time, an indication that large enterprises are increasingly standardizing on Slack as their primary collaboration platform."

RH – Beat on EPS and Revs - "Looking forward, we see a clear path to over \$5B in North America revenues, with high teens to low twenties operating margins and ROIC in excess of 50%. Additionally, we now believe there is an opportunity to build a \$20B global brand as we expand internationally and further develop the RH ecosystem that will move the brand beyond creating and selling products to conceptualizing and selling spaces. We are increasing our long-term targets to: Net revenue growth of 8% to 12%, Adjusted operating margins in the high teens to low twenties, Adjusted net income growth of 15% to 20%, Return on invested capital in excess of 50%.