

## TOP STORIES

- European Manufacturing Stabilizes in January as Green Shoots Emerge
- Sanders Leads in Final Iowa Poll Ahead of Caucus; Biden, Buttigieg Trail
- OPEC+ May Hold Emergency Meeting this Week to Discuss Virus Impact
- Death Toll Rises as Pharma Giants Race to Combat Coronavirus

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3240.25 (16.25)</b>	<b>16.03</b>
<b>Nasdaq</b>	<b>9048.75 (51)</b>	<b>50.2</b>
<b>Dow</b>	<b>28321 (125)</b>	<b>120.97</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7312.09</b>	<b>0.36%</b>
<b>DAX</b>	<b>13000.67</b>	<b>0.14%</b>
<b>Nikkei</b>	<b>22971.94</b>	<b>-1.01%</b>
<b>Hang Seng</b>	<b>26356.98</b>	<b>0.17%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:45	PMI Manufacturing	51.7
10:00	ISM Manufacturing	48.7
10:00	Construction Spending	0.5%
4:30	Raphael Bostic Speaks	

## FOREX

<b>EUR/USD</b>	<b>1.106 (-0.30%)</b>
<b>USD/JPY</b>	<b>108.53 (0.15%)</b>
<b>USD/CAD</b>	<b>1.3239 (0.03%)</b>
<b>GBP/USD</b>	<b>1.3049 (-1.136%)</b>

## COMMODITY

<b>Oil</b>	<b>51.71 (0.30%)</b>
<b>Natural Gas</b>	<b>1.869 (1.52%)</b>
<b>Gold</b>	<b>1583.3 (-0.30%)</b>
<b>Copper</b>	<b>2.5285 (0.46%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>18.84 (21.63%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>21.33 (20.17%)</b>
<b>Oil</b>	<b>OVX</b>	<b>40.35 (7.63%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>13.50 (10.38%)</b>

## MARKET OUTLOOK

Futures are indicating a strong open to kick off the week without a ton of negative headlines this weekend. The coronavirus remains the focus with some reports this weekend that experts believe it will become a pandemic. There has been some success with treating it but concerns over its spread remain high. The economic impact is still being evaluated but Bloomberg overnight with a report that oil demand is down around 20% in China due to the virus. In the US, the focus is on Iowa today where the first Democratic caucus of 2020 is tonight. Bernie remains the front-runner while Biden and Buttigieg both with strong polling numbers.

Asian markets were mostly lower this morning with the HSI edging out a small gain. The Nikkei down over 1% as it fell with Chinese markets. The mainland markets re-opened for the first time since January 23 and down around 9% which was in-line with the expected move. Surgical mask company **Unitika** down 11% on some profit taking. Department store operator **Isetan** down 6.85% after cutting their outlook. **Panasonic** beat on earnings and reporting its first quarterly profit in battery production with Tesla (TSLA) after years of delays and production issues. **LG Chem** reporting a strong quarter.

European markets are in the green for the most part, although off a bit from the early highs. **Ryanair** higher by 0.40% after earnings. They also noted that 737 Max issues could push back their growth plan by up to two years. French payments services company **Ingenico** higher by 12.35% after peer **Worldline** agreed to buy the company. It's a continuation of a major M&A theme in the last two years in financial services (FIS/WP, FISV/FDC). German med-tech company **Siemens Healthineers** down 4.7% after earnings. The company warned on higher diagnostic gear costs. Wealth management firm **Julius Baer** down 5.25% after a weak quarter and a cost cutting plan.

Finally, turning to **economic data** this morning, it was a quiet morning overall. China Caixin Manufacturing PMI came in light at 51.1 vs 51.3. Japanese manufacturing PMI came in light as well at 48.8 vs 49.3. Eurozone manufacturing PMI came in better than feared at 47.9 vs 47.8. Italian, German, and French manufacturing data all topped estimates as well. Spain the lone miss in the EU. In the UK, manufacturing PMI moved back to 50.0 for the first time since June.

## S&P TECHNICALS

**Levels:** Support 3,100/3,000; Resistance 3,350/3,400



1429 Advancing	Declining 6051
18.3%	77.3%
335 New High	New Low 297
53.0%	47.0%
3389 Above SMA50	Below 4335
43.9%	56.1%
4609 Above SMA200	Below 3115
59.7%	40.3%

**KEY EVENTS**

**Earnings After the Close:** ARE, GOOG, AFG, BECN, CBT, EZPW, FN, HLT, HIG, HP, HXL, HLI, KMT, KRC, LEG, MTSC, NXPI, PAHC, PCH, RBC, SSD, SXI, VVV, WWD

**Other:** Iowa Caucus

**Tomorrow...** Motor Vehicle Sales, Factory Orders at 10:00

**Earnings BMO:** Carlsberg, Ferrari, Pandora AS, ATI, ARMK, ATKR, BDC, TECH, BP, CNC, CLX, CMCO, COP, CSWI, CTS, CMI, EXP, ETN, EMR, ENTG, AQUA, IT, HAE, HLNE, HUBB, JHG, LHX, LANC, LII, LITE, MCK, MTG, MSGN, PBI, PINC, RL, ROLL, RCL, SPG, SIRI, SNE, TDG, VSH, GRA, WDR, WAT, ZBH

**ANALYST ACTION/COMMENTS**

**Applied Materials (AMAT)** upgraded to Buy at Deutsche

**Sharps Compliance (SMED)** upgraded to Buy at Stifel

**Seagate (STX)** upgraded to Buy at Stifel

**Outfront Media (OUT)** upgraded to Buy at JP Morgan

**KKR** upgraded to Overweight at Barclays

**Axalta (AXTA)** upgraded to Outperform at BMO

**Ulta Beauty (ULTA)** upgraded to Buy at Goldman Sachs

**Nektar (NKTR)** upgraded to Buy at Mizuho

**Colgate (CL)** upgraded to Buy at RBC Capital

**Merit Medical (MMSI)** upgraded to Buy at RayJay

**Nike (NKE)** upgraded to Buy at UBS

**Accelaron (XLRN)** upgraded to Buy at MSCO

**Charter (CHTR)** upgraded to Outperform at CSFB

**Adient (ADNT)** upgraded to Neutral at Buckingham

**Hess (HES)** upgraded to Buy at Piper

**Monster (MNST)** upgraded to Overweight at MSCO

**Bluebird Bio (BLUE)** upgraded to Outperform at Evercore

**Electronic Arts (EA)** downgraded to Hold at BMO

**Exxon (XOM)** downgraded to Sell at Goldman

**Northrop (NOC)** downgraded to Sell from Buy at Goldman

**Verizon (VZ)** downgraded to Neutral at CSFB

**ViacomCBS (VIAC)** downgraded to Neutral at CSFB

**MEDIA HIGHLIGHTS**

**Hemisphere Media (HMTV)** said to walk away from auction of **Univision** – Bloomberg

**Simon (SPG), Brookfield** consortium bids \$81M for **Forever 21** – Bloomberg

China Oil Demand Has Plunged 20% Because of the Virus Lockdown – Bloomberg

NY Times report calls **Victoria's Secret (LB)** 'a culture of misogyny'

U.S. flight rules on China visits to pose new airline challenges (**UAL, DAL, AAL**) – Reuters

**Gilead Sciences (GILD)** Offers Experimental Drug for Coronavirus Treatments, Testing - WSJ

**Glaxo (GSK)** to collaborate with CEPI to develop coronavirus vaccine – Reuters

China's CATL signs battery supply agreement with **Tesla (TSLA)** – Reuters

**Huawei**, Chinese chip makers keep factories humming despite virus outbreak – Reuters

**Apple (AAPL), Spotify (SPOT)** trail Gaana in music streaming in India - WSJ

India to Cut Taxes, Increase Spending in Bid to Revive Growth (**INDA, HDB, IBN**) – WSJ

Kuo: **Apple (AAPL)** iPhone shipments in Q1 to drop 10% due to coronavirus, Q2 uncertain – 9to5 Mac

**STOCK SPECIFIC NEWS OF NOTE**

**Baidu (BIDU)** raising prelim Q4 guidance

**Maxar Technologies (MAXR)** selected by NASA for SPIDER assembly

**Aimmune (AIMT)** announces FDA approval of PALFORZIA

**Teva Pharma (TEVA)** says AJOVY Phase 2/3 trials met primary, secondary endpoints

Macau reports January casino revenue down 11.3%, Below Street Consensus down 9.8%

**Pacific Premier (PPBI)** to acquire **Opus Bank (OPB)** in all-stock transaction valued at \$1B

**United Therapeutics (UTHR)** announces DISTINCT study did not meet primary endpoint

**Check Point (CHKP)** expands share repurchase program by additional \$2B

**PRE-MARKET MOVERS**

**Moving Higher:** AIMT 16%, GILD 5.5%, CLVS 5%, BIDU 4%, ROKU 2.5%, TAL 1.7%

**Moving Lower:** NNVC -12.5%, LK -4%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** UFI, ANTM

**Selling:** BLK, TNDM, MCO, LMT, CDLX, QURE, WGO, SMG, RJF, STX

**POTENTIAL SYMPATHY TRADES**

**MGM, MLCO, WYNN, LVS** – on Macau data (fell more than consensus)

**PANW, FTNT, FEYE** – on CHKP earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Epizyme (EPZM)** with 2,500 August \$25 calls bought to open \$3.50 to \$3.60 and follows 1,800 May \$22.50 calls bought back on 12-6 that remain in OI. EPZM shares are back at the rising 50-day MA as well as 38.2% Fibonacci of the recent rally from the October lows around \$10, a hot name in the biotech space. A move out of this downtrend back above \$23 has room back to recent highs at \$27 and then \$35 extension. The \$1.99B company trades 6.8X cash with limited debt and focuses on epigenetic medicines for patients with cancer. Their primary product is tazemetostat, an EZH2 inhibitor, that is being explored in non-Hodgkin's Lymphoma, follicular lymphoma, and others. EPZM believes their treatment is more selective and focused than the prior inhibitors like DZNep and has use cases across a number of blood disorders and solid tumors. They received approval on 1-23 for the treatment in epitheloid sarcoma with peak sales potential between \$500M and \$600M. Analysts have an average target for shares of \$27. Cowen with a \$36 PT recently noting that a clean label was a positive for the company and puts to bed prior secondary malignancy concerns. They also note that EPZM is well capitalized for a quick commercial launch. Citi has a \$35 PT and thinks the approval was the first of several good news catalysts for the company including potential acceptance and potential priority review for follicular lymphoma filing by February 18 and potential approval with a broad label by year end 2020. The firm thinks EPZM is a prime takeover candidate and a deal could value them between \$54-\$64. Short interest is 9.8% and rising since June. Hedge fund ownership fell 3.85% in Q3.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
<b>CBOE Equity Put/Call Ratio</b>	<b>0.56</b>	<b>Turning Higher</b>
<b>CBOE Index Put/Call Ratio</b>	<b>1.28</b>	<b>Neutral</b>
<b>VIX Curve</b>	<b>Contango</b>	<b>Normal</b>
<b>CNN Fear &amp; Greed Index</b>	<b>43</b>	<b>Fear</b>
<b>NYMO</b>	<b>-61.87</b>	<b>Oversold</b>
<b>NYSE New Highs</b>	<b>63</b>	<b>Supportive</b>
<b>McClellan Summation</b>	<b>718.1</b>	<b>Below 8-EMA</b>
<b>Cumulative AD</b>	<b>196809</b>	<b>Falling</b>
<b>VXV:VIX</b>	<b>1.1159</b>	<b>Falling</b>
<b>Lipper Fund Flows</b>	<b>-\$6.6B</b>	<b>Continued Weakness</b>
<b>Univ. of Michigan Consumer Sentiment</b>	<b>99.1 (January)</b>	<b>+8.7% Y/Y</b>

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

**IPO MONITOR**

**Casper Sleep (CSPR)** issuing 8.4M shares at \$17-\$19; Manufacturer of mattresses, pillows, sheets, sleep technology products, and bedroom furniture

**OneWater Marine (ONEW)** issuing 4.6M shares at \$12-\$14; One of the largest premium recreational boat retailers in the U.S

**Schrodinger (SDGR)** issuing 10M shares at \$14-\$16; Developer of a software platform that enables discovery of molecules for drug development

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**WPM:**



**Wheaton Metals (WPM)** shares forming a multi-month bull flag under \$30 with a measured move up to \$35. MACD is starting to turn higher and RSI also improving with plenty of room for upside.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Albemarle (ALB)

**Price:** \$80.25

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>14.9X</b>	<b>2.4X</b>	<b>2.2X</b>	<b>11.7X</b>	<b>20X</b>
<b>Industry Avg.</b>	<b>23X</b>	<b>1.6X</b>	<b>2.8X</b>	<b>12.3X</b>	<b>32.3X</b>

**Analysis:** ALB is a \$8.58B provider of lithium compounds and lithium specialties used in the production of batteries and high-performance electronics. The company has major tailwinds from EV production and 2020 a major year for new rollouts with Porsche, Ford, Audi, and many others debuting models. ALB has struggled the last two years but 2020 sets up well for a turnaround.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**MMS:**



**Maximus (MMS)** shares are breaking down out of a multi-week range and losing a weekly trend that stretches back to December 2018. Shares have been forming a series of lower highs for weeks and downside has room to \$64.

## PAIR TRADE OF THE WEEK

**Industry:** Dental

**Long/Short:** Long **Dentsply (XRAY)**; Short **Henry Schein (HSIC)**

**Analysis:** XRAY is a \$13B company that is undergoing a restructuring and targeting significant margin expansion, new products, and Int'l expansion over the next 2-3 years. HSIC is facing margin pressure as pricing comes down and competitive pressure from peers ramps. HSIC is seeing some share gain losses as well so even in a tough environment, XRAY and others likely better plays.

## SMALL CAP TRADE OF THE WEEK

**ACM Research (ACMR)** is a \$655M provider of single-wafer cleaning equipment for improving manufacturing yields of semiconductor chips. ACMR is benefitting from a potential recovery in DRAM capex while closely tied to the Chinese semiconductor space which has seen sentiment shift with the trade deal.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Amicus (FOLD)	ITT (ITT)	Luckin (LK)
Cenovus (CVE)	Aptiv (APTV)	Scorpio (SALT)
TE Connectivity (TEL)	Aaron's (AAN)	Zogenix (ZGNX)
Synnex (SNX)	Check Point (CHKP)	Reata Pharma (RETA)
Flex (FLEX)	Synnex (SNX)	Radius Health (RDUS)
Wyndham (WYND)	Louisiana Pacific (LPX)	Grub Hub (GRUB)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Wyndham (WYND)	Steven Madden (SHOO)	JC Penney (JCP)
MAG Silver (MAG)	Catalent (CTLT)	Deckers (DECK)
Edgewell (EPC)	Ceridian (CDAY)	Adient (ADNT)
Elanco (ELAN)	Farfetch (FTCH)	Flex (FLEX)
Delek Logistics (DKL)	Cloudflare (NET)	Levi Strauss (LEVI)
Pitney Bowes (PBI)	Tenable (TENB)	US Steel (X)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Michaels (MIK)	Nio (NIO)	Cel-Sci (CVM)
Karyopharm (KPTI)	Interactive Brokers (IBKR)	Luckin (LK)
Nio (NIO)	BP PLC (BP)	Adverum (ADVM)
Deutsche Bank (DB)	Hanes (HBI)	Alector (ALEC)
BP PLC (BP)	Salesforce (CRM)	Virgin Galactic (SPCE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Cenovus (CVE)	Apple (AAPL)	Check Point (CHKP)
Ford Motor (F)	Tesla (TLA)	Synnex (SNX)
Pfizer (PFE)	Visa (V)	Louisiana Pacific (LPX)
Alibaba (BABA)	Roku (ROKU)	Flex (FLEX)
Qudian (QD)	Boeing (BA)	Wyndham (WYND)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Qualcomm (QCOM)	Deutsche Bank (DB)	W, March \$100/\$80 put spread bought 1000X
Verizon (VZ)	Wayfair (W)	IRBT, February 7th (W) \$45/\$40 put spread 1,000X2,000
Peloton (PTON)	Marriott (MAR)	MPC, 1,000 June \$57.50/\$67.50 call spreads
Boeing (BA)	Gilead (GILD)	ALXN, 1,000 May \$105/\$120 call spreads
Microsoft (MSFT)	Delta (DAL)	ELAN, 2,500 March \$33/\$35 call spreads



### News Continued

Hulu CEO Randy Freer to Exit as Part of **Disney (DIS)** Restructuring – WSJ

Gas producer **EQT Corp (EQT)** seeks to raise \$1 billion from royalty deal – Reuters

Barron's positive **TMUS, DAL, BKNG, CXO, PE**; cautious **AMD**

**Insmed (INSM)** says Phase 2 WILLOW study of INS1007 met primary endpoint

### Extras

**Adobe Systems (ADBE)** with 2,000 March \$290 puts sold to open \$1.20

**Alnylam (ALNY)** with 2,000 May \$120 calls bought \$8.65

**ITT (ITT)** with 2,500 February \$65 puts bought for \$1.66, the \$70 puts adjusting down

**Lowe's (LOW)** buyer of 1,000 February 7<sup>th</sup> (W) \$116 calls for \$1.95

**Truist Financial (TFC)** buyer of 1,700 June \$50 calls for \$3.10, adjusting the March calls

**Taiwan Semi (TSM)** with 7500 February \$56/\$58.50 call spreads bought

**Aercap (AER)** buyers of 475 December \$52.50 puts for \$2.85

**Greendot (GDOT)** buyers of 480 June \$30 puts from \$4.20 to \$4.50

**Veeva (VEEV)** buyers of near 600 June \$135 puts up to \$7.70

**TradeWeb (TW)** late buyers of 500 February \$45 calls for \$2.45 to \$2.85

**ACADIA (ACAD)** with 1,500 June \$47 calls bought \$3.40 to \$3.50 to open on Friday and name that still has 2,750 March \$45 calls in OI from buyers in the Fall around \$4. On 1-30, ACAD also had buyers of 1,800 OTM Jan. 2021 \$75 calls and 5,000 far OTM \$17 puts sold to open and has also seen some smaller buyers in the Feb. \$36 calls. Shares gapped higher in September on data and traded up as high as \$52.50 in December. They have pulled back recently and just above the October lows. A move above \$42.50 puts shares out of this downward channel and potential for an explosive move back to the recent highs. The \$6.16B company trades 20.5X sales and 9X cash with profitability in FY21. They see 36% and then 73.25% revenue growth the next two years with a path to \$1B in annual sales by FY25. The company's lead product is pimavanserin (or Nuplazid) which is being evaluated in Parkinson's disease psychosis (PDP), Alzheimer's disease psychosis, and dementia-related psychosis. Pimavanserin is an SSIA which targets Serotonin 5-HT<sub>2A</sub> receptors in the central nervous system. These are especially prevalent in the brain and effect cognition and learning. ACAD's treatment targets these receptors while avoiding dopamine and other receptors in the brain, unlike others, which can cause severe side effects. They had positive data in DRP in December. Analysts have an average target for shares of \$52.50. Guggenheim with a \$60 PT and Buy rating while Piper positive in December noting that their recent DRP data was a clear win for the company. The analyst thinks that the FDA will be supportive of pimavanserin label expansion for the dementia-related psychosis, or DRP, indication. Cowen thinks DRP is a blockbuster opportunity with strong efficacy and safety and that it could be a major differentiator

versus the current standard of care. Cantor continues to see \$1B+ sales potential for pimavanserin. Short interest is 7.3% and down from around 15% in late 2018. Hedge fund ownership rose 1.75% in Q3. Baker Bros. with a 40.8M share position, their fourth largest, while Great Point, Palo Alto Investors, Peregrine Capital, Avoro Capital, and Orbimed notable holders.

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ACM	Aecom Tech	\$0.46	\$0.69	\$3,240.00	\$4,976.84	8.69%	
AMG	Affiliated Managers	\$4.52	\$4.09		\$546.50		
ABG	Asbury Automotive	\$2.53	\$2.35	\$1,894.00	\$1,867.17	6.10%	
CTLT	Catalent		\$0.45		\$700.81		
CHKP	Check Point Software	\$2.02	\$1.97	\$544.00	\$542.59	3.40%	
NGVT	Ingevity	\$1.10	\$1.08	\$303.40	\$305.09	8.90%	FY Below
NSSC	Napco Security		\$0.18		\$27.04		
ON	ON Semiconductor	\$0.30	\$0.32	\$1,401.80	\$1,375.81	-6.70%	Q1 Above
SAIA	Saia		\$0.85		\$434.31		
SYU	Sysco		\$0.84		\$15,108.33		

### Earnings Preview

**Zimmer Biomet (ZBH)** reporting tomorrow morning before the open with a strong history higher five of the last seven. The average closing move for shares is around 5% with the max move 8.5%. Shares are coiled in a multi-week range between \$152 and \$145 and closing Friday just above cloud support and the 50-day MA. MACD has turned back near zero and flattening while RSI has a lot of room to run, so potential for an outsized move and run. The Street is looking for \$2.27 on \$2.11B while the FY is guided to \$7.83/\$7.96B. Skew is bearish with the 25-delta p/c at 18.5% vs 9.7% average. The \$31.1B company trades cheap at 17.85X earnings and 3.92X sales with a small yield. ZBH has kept expectations rather flat over the last six months seeing 5.79% and 7.56% EPS growth and 2.5% to 3% revenue growth. ZBH has been a turnaround story since early 2018 with new CEO Bryan Hanson taking the reins and helping guide the company through issues with the FDA, supply chain problems, and a robotics platform that had lagged its peers to launch. But, the turnaround has started to show traction in recent quarters and they're aggressively looking to win market share from peers like Stryker (SYK)'s Mako robot. Analysts have an average target for shares of \$155. Piper upgrading to Buy on 1-7 with a \$170 PT. The firm thinks there is still some risk to execution missteps but upside to numbers exists, which should continue to push the stock higher. CSFB keeps shares at Underperform. The firm's recent Investor Sentiment survey showed ZBH as one of the most likely to miss Q4 numbers with knee expected to grow below market. They think the focus will be on trends in robotics sales, Rosa TKA launch, and plans for commercial launch in spine. Short interest is 1% and near the lowest levels in 10 years. Hedge fund ownership rose 6% in Q3. Jana Partners with an 800,000 share position but selling over 1M shares last quarter. Point72 also selling their

entire stake. ZBH saw a lot of insider buying in early 2019 down near \$125 but nothing in the latter part of the year.