

MARKET BLITZ – March 10th, 2020

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TOP STORIES

- Futures Surge as Trump Floats Payroll Tax Cut to Combat Virus Impact
- Trump to Hold Press Conference Today to Outline Economic Support Ideas
- China's Xi Visits Wuhan As 'Worst Is Over' for the Country
- Italy Imposes Nationwide Limits on Movement, Gatherings
- Italy, Australia, Japan, Germany All Prep Massive Fiscal Stimulus Measures

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2877.75 (130)	133.09
Nasdaq	8326.5 (375)	380.29
Dow	24981 (1,104)	1152.02

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6213.74	4.16%
DAX	11010.58	3.63%
Nikkei	19867.12	0.85%
Hang Seng	25392.51	1.41%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:55	Redbook	

FOREX

EUR/USD	1.135 (-0.83%)
USD/JPY	104.88 (2.48%)
USD/CAD	1.365 (-0.365%)
GBP/USD	1.305 (-0.63%)

COMMODITY

Oil	34.13 (9.64%)
Natural Gas	1.842 (3.6%)
Gold	1659.8 (-0.95%)
Copper	2.5485 (1.51%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	54.72 (30.47%)
Nasdaq	VXN	53.28 (21.17%)
Oil	OVX	123.57 (89.6%)
Gold	GVZ	31.91 (27.03%)

MARKET OUTLOOK

Futures are indicating a big bounce back today with the major indices all surging. Oil is rebounding sharply today up 10% and driving a number of individual names to rebound by 15% to 20%. A lot of fear that Russia could be in for a prolonged fight with the Saudis but the Kremlin out this morning saying they cannot rule out resuming talks. Other than the extremely oversold conditions, most of the rally is being driven by continued talk of stimulus across the globe. Several EU countries are working on individual packages (see below) while the White House continues to evaluate plans and POTUS will meet again today with his economic team. Trump did float a payroll tax cut last night. Overall, a lot of bounces out there overnight. The 10-year yield is back above 0.70%. The Dollar is up 1%. VIX futures are paring their gains down 14.5%. Looking at the ES_F, we basically right back to the breakdown level and 2/28 low at 2,855. We're well above VWAP from the Sunday open which is down near 2,789 and in focus as support.

Asian markets were modestly higher overnight with the Nikkei opening weak initially and rallying in the afternoon session. The safe-haven Yen fell 2% in a bit of a giveback from Monday. Blue chip stocks outperforming on the day with **Sony**, **Mazda**, and **Tokyo Electron** all up 3% to 4%. **Ricoh** higher by 7% after announcing plans to sell a partial stake in their leasing company to Mizuho.

European markets are rallying this morning as oil's 10% surge higher is lifting sentiment. There's also more talk of stimulus measures from the ECB later this week as COVID-19 takes a toll on the region. Italy already announced a \$11.35B package while Germany could add \$57.3B soon. **Infineon** higher by 5% after CFIUS approved their deal for Cypress. Logistics firm **Deutsche Post** higher by 7% after saying they have already seen volumes in China recover although Europe remains uncertain. They also raised their dividend by more than forecast.

Finally, it was a quiet morning for **economic data**. China CPI was in line with the Street while PPI a bit light (-0.4% vs -0.3%). European GDP was slightly better than consensus at 1% vs 0.9%. Unemployment improved as well a tick. French industrial production missed at 1.2% vs 1.8%. Italian industrial production a big beat up 3.7% vs 1.6% but obviously prior to the massive COVID-19 outbreak.

S&P TECHNICALS

Levels: Support 2865/2800; Resistance 3100/3150



437 Advancing	Declining 7184
5.7%	93.3%
221 New High	New Low 3761
5.5%	94.5%
811 Above SMA50	Below 6889
10.5%	89.5%
1366 Above SMA200	Below 6334
17.7%	82.3%

KEY EVENTS**Earnings After the Close:** APEI, CLDR, KFY, NEX, VSLR**Analyst Days:** WAB, AAOI, IIVI, AYY, CWK**Conferences:** Deutsche Bank TMT, Wolfe Research Fintech, Barclays Healthcare**Other:** Democratic Primaries**Tomorrow...** Core CPI at 7:30am, Crude Inventories at 9:30am, **Earnings from** Adidas, Hanover Re, Axel Springer, Lanxess AG, Prudential PLC, EXPR, PDD, UNFI, VRA**ANALYST ACTION/COMMENTS****Xenia (XHR)** upgraded to Buy at B Riley**Cree (CREE)** upgraded to Neutral at JP Morgan**Cubic (CUB)** upgraded to Buy at JP Morgan, \$67 PT**United Therapeutics (UTHR)** upgraded to Buy at Jefferies**UPS** upgraded to Buy at Stifel**Ryder (R)** upgraded to Buy at Stifel, \$37 PT**Lamar Advertising (LAMR)** upgraded to Buy at Imperial**BBVA, UBS** upgraded to Buy at Goldman Sachs**Change Health (CHNG)** upgraded to Buy at Wells Fargo**Allegion (ALLE)** upgraded to Neutral at CSFB**TCF Financial (TCF)** upgraded to Buy at UBS**Baker Hughes (BKR)** upgraded to Buy at JP Morgan**Realogy (RLGY)** upgraded to Neutral at Susquehanna**KAR Auction (KAR)** upgraded to Neutral at Guggenheim**Activision (ATVI)** upgraded to Buy at Oppenheimer**Welltower (WELL)** downgraded to Sell at Jefferies**Xylem (XYL)** downgraded to Sell at CSFBJPM downgrades **HAL, VAL, NINE** to Neutral**Lincoln National (LNC)** downgraded to Neutral at Piper**EOG Resources (EOG)** downgraded to Hold at Wells Fargo**Wendy's (WEN), Denny's (DENN), Papa Johns (PZZA)** initiated Buy at Stephens**Qualcomm (QCOM)** initiated Buy at Nomura**MEDIA HIGHLIGHTS**Trump's Virus Aid Package to Leave Out Travel Industry for Now (**BKNG, EXPE, AAL, UAL**) – Bloomberg

Grassley considering options for targeted tax relief – The Hill

China's President Xi visits Wuhan as number of new coronavirus cases tumbles – Reuters

Italy Announces Restrictions Over Entire Country in Attempt to Halt Coronavirus – NYT

Russia says it can deal with pain of a Saudi oil price war for a decade – FT

Air France to reduce flight capacity to Europe over coronavirus – Reuters**Qantas** slashes capacity by 25% amid sharp downturn in demand – ReutersOrders sink for Italy's luxury suppliers as virus spreads (**LVMH, Gucci**) – Reuters**Novartis (NVS)** launches program to buy back up to 10% of shares – Reuters**Syneos Health (SYNH)** exploring a sale – Reuters**Fifth Third (FITB)** accused of opening unauthorized accounts - NY Times**STOCK SPECIFIC NEWS OF NOTE**Guidance Updates due to COVID-19: **Booking Holdings (BKNG)** withdraws Q1 guidance; **Host Hotels (HST)** withdraws FY20 guidance; **Sotherly Hotels (SOHO)** says COVID-19 to have adverse impact on Q1; **Park Hotels & Resorts (PK)** withdraws FY20 guidance; **Anthem (ANTM)** backs FY20 adjusted EPS view greater than \$22.30, consensus \$22.45; **Gartner (IT)** sees Q1 EBITDA impact from canceling, postponing conferences about \$36M**Hawaiian Airlines (HA)** reports February traffic up 6.4%**Acceleron's (XLRN)** ACE-o83 in CMT patients did not show improvement in phase 2 trial**Blackstone (BX)** to acquire majority stake in **HealthEdge****FedEx (FDX)** announces CFO Alan Graf to retire**Revlon (REV)** announces restructuring program**Cypress (CY)** gets CFIUS approval in **Infineon** merger**Comfort Systems (FIX)** acquires **TAS Energy****TSMC (TSM)** January revenue up 53.4%**Wesco (WCC)** revises terms of funding **Anixter (AXE)** Merger to debt and cash

PRE-MARKET MOVERS

Moving Higher: CY 47%, OXY 27.7%, XOP 27%, CUK 14.5%, CCL 14.4%, HAL 13.9%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: BJRI, LIN, GLPI, FCX

Selling: CCOI

POTENTIAL SYMPATHY TRADES

UPS, FDX – on DHL positive comments

OPTION HIGHLIGHTS (Prior Day)

Clearwater Paper (CLW) buyer of the April \$25 calls 3,000X for \$2.75, closing 5,000 of the April \$30 calls and rolling back. CLW continue to have 2,700 April \$22.50 calls and 2,200 April \$20 calls in OI while the \$25 calls had 1,150 in OI from buyers. Shares have been showing some relative strength recently and filling a small gap today from January. CLW is also back to VWAP from the October earnings report, an ideal bounce spot. The \$453M company trades 0.7X EV/sales with accelerating revenue growth the next two years, up 2.85% and 10.17%. FY22 expected to a big inflection year for shares after years of investment in expanding capacity at their Shelby, NC facility. CLW is a new CEO story after announcing a change on 1-29 and shares jumped more than 20%. They also announced a new independent chairman. The move follows years of execution issues, cost overruns, poorly timed M&A deals, and much more while the balance sheet got stretched as well. CLW sees management bringing new discipline and focus as they look to finally ramp production and gain share in the growing tissue market. Analysts have an average target for shares of \$35.50. RBC upgrading to Neutral in January seeing CLW having reduced its downside risk by working past prior challenges, having navigated the union negotiations and gotten past peak leverage. DA Davidson positive on the name as well and a \$44 PT. The firm thinks its assets are some of the “most undervalued across our universe” and its profitability and cash flow should improve in the coming years after a transitional 2019. Short interest is 3.5% and down from 7.8% in September. Hedge fund ownership fell 4% in Q4. In May, the former CEO bought stock at \$17.92, the first open market buy in over four years.

AFTER HOURS MOVERS

Gainers: CY 45%, OXY 13.5%, APA 13%

Losers: SFIX -40%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.58	Rising – Cautious
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	6	“Extreme Fear”
NYMO	-93.2	Oversold
McClellan Summation	-248.34	Below 8-EMA – Cautious
Lipper Fund Flows	-\$20B	Extreme
Univ. of Michigan Consumer Sentiment	101.0 (February)	+7.7%
Cumulative A/D	Multi-Month Low	Neg. Divergence
VIX:VXV	1.18	Extreme Backwardation
NAAIM Exposure Index	29.03	Extreme Low
AAII Sentiment	Bulls +8.3%	Above Long-Term Averages

SMART MONEY (13g/13d Filings)

IPO MONITOR

IMARA (IMRA) issuing 4.5M shares at \$16-\$18; Clinical-stage biopharmaceutical company developing therapeutics to treat patients suffering from rare inherited genetic disorders

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

QDEL:



Qidel (QDEL) shares are holding up great and starting to clear a weekly bull flag that measures out to \$92+. MACD crossed over bullish last week on the daily and RSI is coiled with plenty of room for expansion.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Masimo (MASI)

Price: \$180

Valuation: Undervalued

Analysis: MASI is a \$9.6B medical equipment company that focuses on non-invasive monitoring systems like next-gen pulse ox. MASI has held up well recently and coming off another strong quarter with guidance strong. MASI is also a potential COVID-19 play if the virus spreads more in the US and Europe where they have a greater share in hospitals.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CC:



Chemours (CC) shares are trading in a big weekly bear flag above \$11.50 with a breakdown targeting \$8. Shares have been in a long downtrend with the 200-MA acting as resistance recently. MACD has rebounded back near zero and nearing a turn back down.

PAIR TRADE OF THE WEEK

Industry: Coffee

Long/Short: Long Luckin' (LK); Short Starbucks (SBUX)

Analysis: LK has held up great relative to the rest of the market and business likely stays relatively strong during the virus outbreak given they have more stores without group seating. SBUX probably sees more weakness as the impact on China operations remains an uncertainty.

SMALL CAP TRADE OF THE WEEK

AAON (AAON) is a \$3.05B provider of air conditioning and heating equipment. They are domestically insulated without business beyond the US and Canada. They've expanded manufacturing capacity recently while working on costs which has led to record gross margins. They also built in a bigger budget for strategic investments which lays the groundwork for multi-year growth.

News Continued

Blackstone (BX) in talks to take developer **SOHO China** private in \$4 billion deal – Reuters

Chevron (CVX) mulling alternatives to lower CapEx after oil price drop – Reuters

Memory contract prices to see double-digit increases in 2Q20 – Digitimes

China Biologic (CBPO), Sutor Are in Advanced Talks on Take-Private – Bloomberg

BMW axes plans to bring electric iX3 SUV to US – Tech Crunch

Restaurants Face a Double Threat From Coronavirus – WSJ

China's Other Health Crisis Still Isn't Fixed as Pork Prices Surge (**SAFM, TSN, HRL**) – WSJ

American Airlines (AAL) to reduce domestic capacity in April by 7.5%

Extras

Vanguard Europe (VGK) with 12,000 June \$48 puts opening \$3.70 to \$3.80

Tech Data (TECD) with 2000 April \$135 puts opening \$4 as March adjust

Whirlpool (WHR) with 600 January \$100 calls opening ITM \$22.70 as June \$135 adjusted

Halliburton (HAL) with 5000 January 2022 \$7.50 puts bought to open near \$2.78 late day

Martin Marietta (MLM) with 1000 October \$175 puts sold to open for \$7.50

Kratos (KTOS) closed the day on highs with 2500 January 2022 \$22.5 calls bought \$3.90 and 2500 of the \$25 calls for \$3

Wix.com (WIX) yesterday with 1,000 January \$70 puts sold to open for \$3.80 and name that has pulled back into a key zone where 1,500 January \$115 puts were sold on 2/20 and 2,950 July \$105 puts sold on 1/16. Shares bounced yesterday late day off the \$111/\$112 level which was support in October and right off of trend support from the 2017 low. The longer-term rising channel targets \$170 on a move higher. WIX also held VWAP from the February 2018 earnings move higher that triggered the recent multi-year run higher. The \$5.98B company trades 7.86X sales and 8.23X cash with ramping profitability as the company expects to earn near \$3/share by FY23, up 50% annually the next two years. WIX has been a consistent revenue gainer, up 19.75% to 20% annually, and forecasting \$1B in 2020. The company continues to grow their user base well, up 16% last quarter with premium subs up 13%. WIX sees a big opportunity to grow revenue from their existing cohorts with \$6.8B in potential collections through FY27. WIX is the leader in DIY website creation with 150M users worldwide and an expanding portfolio of premium services/products like their open dev platform Corvid and their all-in-one business solution Ascend. Analysts have an average target for shares of \$154. Needham starting at Buy on 2-24 with a \$165 PT. The firm thinks WIX is using its "strong foothold" in the DIY web design market to move

up-market to leverage its agency channel and expand its total addressable market opportunity. Deutsche Bank raising their PT to \$170 in February and sees potential for re-accelerating collections growth in 2020. Short interest is 4.8%. Hedge fund ownership fell 4% in Q4. Valinor Management, Point72, and Steadfast Capital top holders.

Insider Focus

Verizon (VZ) a notable insider buy on 3/3 when EVP and CEO of Verizon Consumer Ronan Dunne bought 18,839 shares at \$53.47, a more than \$1M buy. This was the first open market buy in the name in at least four years. Dunne is in charge of the teams overseeing voice, data, and TV products and services as well as the 5G rollout. He joined VZ in 2016 after leaving Telefonica UK. The \$232.08B company has traded down 9% this year and basically flat over the last twelve months. The recent high was up around \$62 and back now at a key area of support. Shares trade 10.87X earnings and 1.78X sales with a 4.4% yield. VZ is guiding to low-single digit EPS growth and revenue growth of 1-2%. VZ recently held an Investor Day where they laid out plans for 2021 and beyond. The company sees 2020 as a major inflection as they begin to scale 5G nationwide and expand into a leadership role in next-gen telecom. Short interest is 0.8%. Hedge fund ownership fell less than 1% in Q4. Sanders Capital a notable holder with 13.1M shares, their 13th largest position. Analysts have an average target for shares of \$63.50. Cowen upgrading to Outperform on 3-2 as it's a strong defensive stock with several 2021 catalysts. MSCO positive on 2-14 after their Investor Day. The company has shown a steady ramp in capacity that is keeping well ahead of demand, and also made it clear that C-Band spectrum was an attractive option for them. Nationwide 5G is coming at some point this year and 5G Home broadband is set to scale exiting 2020.

Earnings After the Close

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AVID	Avid Tech	\$0.28	\$0.30	\$116.30	\$111.85	3.20%	
CASY	Casey's General	\$0.91	\$0.89	\$2,248.20	\$2,284.25	9.80%	
FNV	Franco-Nevada	\$0.59	\$0.49	\$258.10	\$237.03	74.20%	
PRPL	Purple Innovation	-\$0.29	\$0.06	\$124.30	\$119.52	58.30%	
SFIX	Stitch Fix	\$0.11	\$0.07	\$451.78	\$452.59	22.00%	FY Below
SNCR	Synchronoss Tech	-\$0.36	-\$0.42	\$90.59	\$91.64	10.30%	
MTN	Vail Resorts	\$5.04	\$5.44	\$924.60	\$921.06	8.80%	

SFIX - Beat on EPS and Missed on Revs - We grew active clients to 3.5M, an increase of 17% year over year, and grew net revenue per active client by 8% year over year, our seventh consecutive quarter of growth and a reflection of our unique personalization capabilities. There are also macro themes that lead us to approach the back half of FY20 with more conservatism. First, our U.K. revenue has been

lower than anticipated as we adapt our offering to the market and because of the macroeconomic climate tied to Brexit, which has sustained longer than we had expected. The coronavirus continues to be a fluid situation that we are watching closely. To date, we haven't seen a material impact on our business.

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
IMOS	ChipMOS	\$0.81	\$0.79	\$5,571.50	\$5,441.67	12.10%	
DSKE	Daseke		-\$0.20		\$401.37		
DKS	Dick's Sporting Goods		\$1.16		\$2,561.66		
DOMO	Domo		-\$0.96		\$45.72		
PSN	Parsons	\$0.48	\$0.46	\$928.90	\$1,016.45	-10.50%	FY Below