

TOP STORIES

- G7 Finance Ministers to Coordinate on Coronavirus Response
- Global Coronavirus Deaths Surpass 3,000 as Infections Spread
- China's February PMI Data Fell to Lowest Level on Record
- Negative U.S. Yields Are in Sight As Virus Spurs Recession Bets
- Fed Ready to Cut Rates Despite Doubt They Can Fix Virus Fallout
- Biden Wins South Carolina; Buttigieg Drops Out Ahead of Super Tuesday

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2917.5 (-33.5)	-32.32
Nasdaq	8409.5 (-44.5)	-55.33
Dow	25148 (-216)	-254.36

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6517.48	-0.96%
DAX	11672.01	-1.84%
Nikkei	21344.08	0.95%
Hang Seng	26291.68	0.62%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:45	PMI Manufacturing	50.8
10:00	ISM Manufacturing	50.4
10:00	Construction Spending	0.6%

FOREX

EUR/USD	1.112 (0.83%)
USD/JPY	107.65 (-0.39%)
USD/CAD	1.337 (-0.18%)
GBP/USD	1.278 (-0.35%)

COMMODITY

Oil	45.12 (0.80%)
Natural Gas	1.72 (2.14%)
Gold	1605.1 (2.45%)
Copper	2.5675 (1.08%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	40.11 (2.43%)
Nasdaq	VXN	43.13 (5.20%)
Oil	OVX	51.25 (3.70%)
Gold	GVZ	21.27 (17.84%)

MARKET OUTLOOK

Futures with a volatile overnight session after gapping lower on Sunday's resumption and then rallying. The overnight low was made early down around 2889.50 and we hit a high around 3021 before the EU open. However, the fade is on so far and we're back under 2,925 into the US open. There isn't anything specific driving the big waves of volatility overnight. There's a number of articles on central bank efforts to contain the virus impacts (BOJ, BOE, China, etc.) and speculation running that the Fed will cut rates at or even before the March meeting. China showed some positive signs with respect to new cases this weekend but the narrative is now more focused on expansion in Europe and elsewhere. Overall, caution continued to abound as the session is expected to be another day of headline reactions in the SPX.

Asian markets rebounded a bit overnight amid hopes for more stimulus efforts as the virus takes a toll. BOJ's Kuroda pledged to take steps to stabilize markets. Most major indices opened weak after China's official PMI fell to 35.7 in February, the lowest level ever recorded, but rallied mid-day. **Sony**, **Tokyo Electron**, and **Advantest** all sharply bouncing.

European markets rebounded early but have turned negative and at their lowest points around mid-day. Oil majors like **BP** and **Shell** higher with oil rallying. Accounting software company **Sage Group** higher by 2% after selling some assets. **Boeing (BA)** supplier **Senior PLC** higher by 6.5% after topping estimates. Cloud and ICT provider **QSC** higher by 8% after FY results topped estimates. Insurer **Hiscox** higher by 7% early after strong guidance and noting their exposure to the virus was manageable. **Nokia** higher by 4% after long-time CEO stepped down but shares have not faded to red. **ThyssenKrupp** higher by 4% after an upgrade at CSFB. Satellite operator **SES** down 15% after cutting their outlook and halving the dividend as spending set to slow. Italian banks the big laggard as the worst-hit country in Europe by COVID-19. **Banco BPM** down sharply by 8.85%.

Finally, it was a busy morning for **economic data** globally. South Korean PMI manufacturing came in light at 48.7 but not as bad as feared. Japan PMI manufacturing was better than feared at 47.8 vs 47.6. China Caixin PMI manufacturing was the big miss down to 40.3 vs 45.7. Hong Kong retail sales fell 21.4% in January. Indian manufacturing data beat at 54.5 vs 52.8. In Europe, strong manufacturing data was seen out of Spain, German, and France with Italy the lone miss. The UK also missed at 51.7 vs 51.8.

S&P TECHNICALS

Levels: Support 2865/2800; Resistance 3045/3060



KEY EVENTS

Earnings After the Close: ATSG, MDRX, AMBC, APPF, WIFI, EVRI, FATE, FGEN, GSKY, PI, INST, IPAR, LVGO, MAXR, PGEN, PTCT, KWR, SQM, TDW, TLRV, ZIOP, ZGNX

Analyst Days: ETN

Conferences: Credit Suisse Energy Summit, Cowen Healthcare, Morgan Stanley TMT

Tomorrow... Mester Speaks at 2:50pm, API Inventories at 4:30pm; **Earnings:** Beiersdorf, HelloFresh, Inter Parfums, AZO, BNED, IGT, KSS, MYE, SE, TGT

ANALYST ACTION/COMMENTS

Western Digital (WDC) upgraded to Buy at Stifel

Apple (AAPL) upgraded to Buy at Oppenheimer

Chegg (CHGG) upgraded to Strong Buy at First Analysis

National Cinemedia (NCMI) upgraded to Buy at B Riley

Ladder Cap (LADR) upgraded to Buy at Deutsche Bank

GE upgraded to Neutral at JP Morgan

Churchill Downs (CHDN) upgraded to Buy at JP Morgan

Nutrient (NTR) upgraded to Buy at JP Morgan

Baidu (BIDU) upgraded to Buy at JP Morgan

Massimo (MASI) upgraded to Buy at Raymond James

Holly Frontier (HFC) upgraded to Neutral at Goldman

CF Industries (CF) upgraded to Neutral at Bernstein

Take-Two (TTWO) upgraded to Neutral at BNP Paribas

Equifax (EFX) upgraded to Buy at BNP Paribas

Regions (RF), Fifth Third (FITB) raised to Buy at Baird

Verizon (VZ) upgraded to Buy at Cowen

MasTec (MTZ) upgraded to Buy at Baird

Micron (MU) upgraded to Neutral at Baird

Seagate (STX) upgraded to Buy at Baird, \$60 PT

Pan American (PAAS) upgraded to Buy at Deutsche Bank

Garmin (GRMN) upgraded to Buy at JP Morgan, \$100 PT

Cheesecake Factory (CAKE) upgraded to Neutral at Guggenheim

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MEDIA HIGHLIGHTS

German Auto Industry Bracing for Slump as Demand Dips, Ifo Says – Bloomberg

Elliott takes sizable **Twitter (TWTR)** stake, seeks to remove Dorsey – Bloomberg

Barron's positive **BRK/B, ATVI, TTWO, EA, GOOGL, PACW, KEY**; cautious on **YUMC, WYNN, TEX, CMI, JBL**

CEO says **United Airlines (UAL)** might need to cut additional flights – Reuters

AmEx (AXP) staff misled small-business owners to boost card sign-ups – WSJ

GM Adds 1,200 Workers at Michigan Plants on Rosy SUV Demand – Bloomberg

Huawei Makes End-Run Around U.S. Ban by Turning to Its Own Chips – Bloomberg

China Takes Charge of **HNA**, Paving Way for Hastened Asset Sales – Bloomberg

Kuo: **iPhone (AAPL)** production won't significantly improve before Q2 - MacRumors

Amazon (AMZN) plans to launch India food delivery service in March - Economic Times

Walmart (WMT), Verizon (VZ) in talks to outfit some stores with 5G services – WSJ

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STOCK SPECIFIC NEWS OF NOTE

Harley-Davidson (HOG) president, CEO Matthew Levatich steps down

NXP Semi (NXPI) lowers Q1 revenue outlook due to coronavirus possible impact

New Oriental (EDU), TAL Education (TAL) cut outlook due to coronavirus possible impact

Takeda (TAK) to divest certain assets to **Hypera Pharma** for \$825M

Rajeev Suri to step down as **Nokia (NOK)** president and CEO; new CEO says too early to talk strategic changes

WillScot (WSC), Mobile Mini (MINI) enter all-stock merger of equals transaction

Ingevity (NGVT) announces \$500M share repurchase program

IQIYI (IQ) lowers Q1 revenue outlook

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PRE-MARKET MOVERS

Moving Higher: FTSV 61%, CODX 52.3%, TRIL 31.9%, AHPI 21%, APT 19%, LAKE 11%

Moving Lower: CCL -8%, BCS -6%, STM -5.5%, DB -5%

INSIDER TRADING (Form 4 Filings)

Buying: SPWR, BJRI, KKR, USPH, FUN, GEO, OLED, TVTY, FRPT, LEDS, ALGT, OPK

Selling: RNG, TELL, FB, MC, CRVL, SVMK, ZEN, FSCT, DVA, WMT, DGX, ALB, WWW, CL, CBOE, NVCR, REGN

POTENTIAL SYMPATHY TRADES

I, SATS – on SES guidance cut

MLCO, WYNN, LVS, MGM – on Macau data

OPTION HIGHLIGHTS (Prior Day)

Res-Med (RMD) with its first notable options activity on 2/27 as 1300 July \$170 calls traded in the \$10 to \$11.80 range. RMD has pulled back modestly with the market but remains in a strong trend above both 13 and 21 week moving averages. A test of a 38.2% retracement and channel bottom would come closer to \$158 as ideal entry. The \$23.8B med-tech leader with a focus on respiratory disorders trades 34.45X Earnings, 8.55X Sales, and 113X FCF. RMD has growth revenues double digits each of the last three years with 11.7% growth seen in 2020 along with 18% EPS growth. RMD posted numbers on 1-30 beating estimates by a wide margin. RMD also is building out its software business, commenting last quarter “We continue to take market share with our software solutions that enable increased therapy adherence with resupply programs, providing support to those who need it and with our innovative new products.” It calls itself the world’s leading software-driven medical device company and notes “We have sold nearly 11 million, 100% cloud connectable medical devices into the market. And Air Solutions, our cloud-based ecosystem, manages more than 12 million patients.” “We are investing in advanced analytics and expanding our capabilities in machine learning and machine intelligence so that we can grow this digital health ecosystem at double digits on a volume basis. We will grow from just over 100 million lives improved with our healthcare products and solutions as we ended 2019 to our ambitious forward-looking goal of improving 250 million lives in 2025.” RMD is also noted it expects to see increased demand for ventilators due to the coronavirus. Analysts have an average target of \$164 and short interest low at 1.7% of the float. Morgan Stanley cut shares to Equal Weight on 2/18 citing valuation, and UBS the same on 1/31. Hedge Fund ownership rose modestly in Q4 filings.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.55	Extreme-Low, Cautious
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	10	Extreme Fear
NYMO	-136.5	Extreme Oversold
McClellan Summation	130.9	Below 8-EMA
Lipper Fund Flows	-\$22.5B	Extreme Outflows
Univ. of Michigan Consumer Sentiment	101.0 (February)	+7.7%
Cumulative A/D	201,450	Below 40-EMA, Bearish
VIX:VXV	1.34	Extreme Fear
NAAIM Exposure Index	65	Under-Invested but Not Extreme
AAII Sentiment	30.4% Bulls	Big Jump Down

SMART MONEY (13g/13d Filings)

IPO MONITOR

GFL Environmental (GFL) issuing 87.6M shares at \$20-\$24; Diversified environmental services company in North America

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

EVBG:



Everbridge (EVBG) shares held up very well last week despite the overall weakness and flagging under \$110 and the August highs. A breakout targets \$120 but longer-term has explosive potential up to \$150 as it continues the strong multi-year run.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Chewy (CHWY)

Price: \$29.60

Valuation: Undervalued

Analysis: CHWY trades 2.5X sales with 20-25% annual growth and a path to profitability within two years. CHWY is a recognized name leader in the space with online sales growth in the pet industry set to expand over the next decade. CHWY could be as much as half of the overall market and coupled with nice margin expansion, should trade at a premium multiple. CHWY doesn't have a lot of close industry comps.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

FIZZ:



National Beverage (FIZZ) forming a large weekly bear flag above \$40 and a breakdown has significant downside potential and continuation of the trend since mid-2019. Weekly RSI and MACD both reset right to levels where we'd see a reversal and earnings this week a catalyst.

PAIR TRADE OF THE WEEK

Industry: Pizza

Long/Short: Long **Papa Johns (PZZA)**, Short **Dominos (DPZ)**

Analysis: PZZA has pulled back to the 200-MA, a nice risk/reward spot, with plenty of optionality into 2020/2021 through menu changes, unit growth, and strategic options. DPZ has significant international exposure and continues to see headwinds in delivery that could make future quarters more lumpy.

SMALL CAP TRADE OF THE WEEK

Natera (NTRA) is a \$3b company that focuses on preconception and prenatal genetic testing services. Their main product is PANORAMA, a non-invasive test (NIPT) that screens for chromosomal abnormalities. NTRA shares have held up great and the company is moving into some big new potential areas like oncology and the MRD market with FDA approval.

Analyst Ratings Continued

Texas Roadhouse (TXRH) upgraded to Buy at Evercore

Leidos (LDOS) upgraded to Buy at Stifel

SBA Communications (SBAC) upgraded to Buy at BAML

Builders First (BLDR) upgraded to Buy at Sun Trust

ABB downgraded to Sell at MSCO

Golden Entertainment (GDEN) downgraded to Neutral at JP Morgan

Axon (AAXN) downgraded to Neutral at Imperial

Calavos (CVGW) downgraded to Neutral at Stephens

Beam Therapeutics (BEAM) initiated Buy at Barclays, \$32 PT

Casper (CSPR) initiated Buy at Goldman, \$16 PT

Schrodinger (SDGR) initiated Buy at BMO, \$65 PT

Amarin (AMRN) initiated Buy at Cowen, \$23 PT

News Continued

Macro

Goldman Sachs sees Fed cutting soon, perhaps before March meeting – Reuters

BOJ reassurance on coronavirus bolsters speculation of global policy action – Reuters

Bank of England Pledges to Protect Stability Amid Virus Outbreak – Bloomberg

G7 Finance Ministers to Coordinate on Coronavirus – Bloomberg

Wuhan closes makeshift hospital as new coronavirus cases in China drop sharply – Reuters

Trump officials discuss tax cuts, other emergency measures amid coronavirus fallout – WaPo

Trump wants to cut corporate rate again, evaluating potential proposal to index capital gains taxes for inflation - Politico

Stock-Specific News

Satellite operator **SES** cuts FY outlook, halves dividend, cites investment peak – Reuters

Warner Music, Cole Haan delay IPOs amid coronavirus jitters – Reuters

Honeywell (HON) sees surge in demand for face masks in North America, China – Reuters

NMC Health hires **Moelis (MC)** for debt restructuring – Reuters

Big Drugmakers Warn About Coronavirus Impact on Supply Chain – WSJ (**AZN, MRK, PFE**)

Macau Gaming Revenue Suffers Record Plunge From Virus Blow (Down 87.9% Y/Y vs Estimates for Down 90%) – Bloomberg (**MGM, WYNN, LVS, MLCO**)

Spirit AeroSystems (SPR) Plans 737 MAX Restart in March – WSJ

NCR sees no immediate impact to orders, lead times due to virus, via 10K

Constellation (STZ) says beer sales have been strong despite virus impact

Co-Diagnostics (CODX) to provide Covid-19 tests to U.S. CLIA labs

Gilead (GILD) to acquire **Forty Seven (FTSV)** for \$95.50 per share in cash, or \$4.9B

Middleby (MIDD) acquires Deutsche Beverage Technology

Karyopharm (KPTI) announces Phase 3 BOSTON study meets primary endpoint

Extras

Twitter (TWTR) seeing heavy action this afternoon in April puts, the \$30 puts with a block 25,000X at \$1.17 mid-market, while 50,000 of the \$33 puts being sold to open on bids. A block of 55,000 sold \$2.22 to open into the close.

Lab-Corp (LH) with 4000 August \$180 calls bought \$11.20 to \$12.90 to pen

Comcast (CMCSA) with nearly 15,000 July \$42.5/\$32.5 bull risk reversals opening through the afternoon

Snap (SNAP) late day opening sale 4000 July \$14 puts \$1.87

Citi (C) buyer 4000 January 2022 \$57.5 puts to open for \$8

AT&T (T) with nearly 50,000 April \$32 puts bought \$0.87 to \$0.90 in the last hour of trading

Iron Mountain (IRM) with 15,000 March \$27.50 puts sold to open \$0.50 to \$0.40

Quest (DGX) buyer 1000 May \$110 calls to open \$3.10

Align Tech (ALGN) late spread sold 1500 April \$190 puts to buy the \$240/\$280 call spreads

Palo Alto (PANW) afternoon stock replacement opened 1500 January \$200 calls for \$19.50

Alaska Air (ALK) bull risk reversals selling October \$40 puts and buying April \$52.5 calls at \$0.77 debits

Adobe (ADBE) with 1500 March 6th (W) \$340 calls opening for \$12 as the \$350 adjusted back

Fate Therapeutics (FATE) held up all week and into the close March \$30 calls bought 2500X up to \$2.40 as IV surged

Marriott (MAR) afternoon action with 2,925 March 13th (W) \$115 puts opening \$4.70 to \$4.95

Take-Two Interactive (TTWO) with 5,000 January \$110 calls bought on Friday, \$14, as the \$120 calls roll back in strikes. TTWO has some notable put sales around Friday's closing price as well in the March 27th (W) \$105, March \$105, and March \$110 strikes. TTWO has pulled back about 20% from 52-week highs and back around the 50% retracement of the rally from the February 2019 lows. TTWO is also forming the right shoulder of a big monthly inverted head and shoulders under \$140 that measures up to a long-term target around \$190/\$200. The \$12.1B company trades 24.38X earnings and 4.22X sales. TTWO sees FY22 as a big rebound year with 30% revenue growth and 27.4% EPS growth and likely comes on the back of some highly watched but as-of-yet unannounced pipeline projects like Grand Theft Auto 6 and Bully 2. They are also entering a major cycle with next-generation console releases coming at year-end from both Microsoft and Sony. TTWO President Karl Slatoff noted new details and launch timing alleviates some uncertainty for the company and becomes a big driver. "We believe it will be very robust and a great thing for the industry. And again any time that you have these kind of advancements in tech, it creates opportunities... to create experiences that we know consumers are going to want to engage with for very long periods of time even after the initial sale. So to the extent that we have got the ability to do that for all indications is that we will and we expect this will lead to growth for our company." Short interest is 3.8%. Hedge fund ownership fell 6.66% in Q4 with Eminence Capital and Melvin Capital both with large positions but selling some. The last notable insider buys was in August 2018 when a director bought \$10M in stock at \$133.93. Analysts have an average target for shares of \$133. Sun Trust positive on 2-10 expecting FY23 to be the "GTA Launch Year" while near-term visibility remains cloudy. Wedbush sees ample room to top 'conservative' long term estimates with a number of games to potentially boost their topline higher.

Earnings Preview

Target (TGT) with earnings on Tuesday morning along with their 2020 Financial Community meeting and the Street looking for \$1.65 on \$23.449B in revenue. The FY guide is around \$6.35/\$78.16B and a number that has been raised multiple times over the last year. Shares have been strong recently with higher closes in five of the last six and an average closing move of 9%. The \$52.75B company trades 14.96X earnings and 0.68X sales, cheap relative to peers, with accelerating top and bottom-line growth. TGT holiday sales were a bit of a disappointment with a shorter period vs prior years and underperformance from electronics and home. For 2020, they continue to focus on a number of key initiatives including new fulfillment options like Drive Up which continues to expand while Target Circle

continues to ramp. In-store, they have new partnerships with Levi's and adding SKUs in home goods but inventories in focus, especially with COVID-19 impacting supply chains. Short interest is 2.6% and hedge fund ownership was down slightly in Q4. Analysts have an average target for shares of \$133.50. Baird positive on 2-14 noting the focus is on the 2020 outlook which seems de-risked already. Cowen positive on 2-10 preferring shares to Wal-Mart (WMT) as TGT's path in 2020 seems clearer. CSFB positive on 2-28 noting that TGT could see a bounce-back in Q1 with peer Wal-Mart (WMT) recently affirming the consumer environment remains healthy and some late-year issues appear transitory.

Earnings Review

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CIR	Circor	\$0.82	\$0.77	\$242.64	\$241.59	-9.00%	FY In Line
CORE	Core-Mark	\$0.45	\$0.39	\$4,154.80	\$4,126.33	1.60%	FY In Line
XRAY	Dentsply Sirona	\$0.73	\$0.75	\$1,111.50	\$1,085.53	4.90%	FY In Line
EVRG	Evergy		\$0.31		\$1,166.41		
GTT	GTT Comms	-\$0.34	-\$0.29	\$423.90	\$422.25	-6.80%	
JD	JD.com	\$0.54	\$0.43	\$170,684.00	\$166,732.33	26.60%	
PEGI	Pattern Energy	\$0.54	\$0.02	\$147.00	\$137.54	30.10%	
TZOO	Travelzoo		\$0.11		\$29.10		
WSC	WillScot	-\$0.10	\$0.09	\$278.00	\$270.74	8.00%	FY In Line