

TOP STORIES

- WHO Says Coronavirus Outbreak in Europe May Be Approaching Peak
- China Manufacturing Expanded in March but Gov't Warns 'Not Back to Normal'
- EU Inflation Drops on Falling Energy Costs
- Goldman Lowers Q2 Growth Outlook to Minus 34% from Minus 24%
- US, Russia Agree to Oil Market Talks as Trump Calls Price War 'Crazy'

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2613.25 (2)	1.4
Nasdaq	7877.25 (22.5)	4.24
Dow	22194 (27)	1.52

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	5600.75	0.67%
DAX	9880.32	0.66%
Nikkei	18917.01	-0.88%
Hang Seng	23603.48	1.85%

ECONOMIC CALENDAR

TIME	EVENT	CHANGE
9:00	Case-Schiller	0.4%
9:45	Chicago PMI	40.0
10:00	Consumer Confidence	110.0

FOREX

EUR/USD	1.096 (-0.82%)
USD/JPY	108.55 (0.69%)
USD/CAD	1.422 (0.35%)
GBP/USD	1.237 (-0.40%)

COMMODITY

Oil	21.56 (7.32%)
Natural Gas	1.721 (1.83%)
Gold	1613.2 (-1.84%)
Copper	2.179 (1.09%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	57.69 (-11.98%)
Nasdaq	VXN	55.32 (-9.87%)
Oil	OVX	156.8 (-8.88%)
Gold	GVZ	31.10 (-10.86%)

MARKET OUTLOOK

Futures indicating a flat to slightly higher open for the morning as markets continue to grind higher into quarter-end. China's PMI data for March was a surprisingly good number showing activity had rebounded well. However, the government warning that the data looks better than it probably is as Feb. levels were very weak. Auto sales and housing both showing strength. In the US, more talk about a fourth stimulus bill that could hit \$1T but the scope of the bill will be dependent on how the next month unfolds for new cases in the US. Goldman out lowering their outlook for Q2 GDP again today seeing annualized -34% vs -24% prior. They expect a strong rebound in Q3. Elsewhere, gold down 1.9%. Crude jumping over 8% on the morning as optimism grows Saudi/Russia can reach an agreement on a floor.

Asian markets were mixed overnight with the Nikkei continuing to lag as fears of a lockdown grow. Sentiment remains unsteady as many see the country declaring a national emergency soon. Web conferencing company **V-Cube** up 10%. **Fuji** up 2% as the company ramps production of their anti-flu drug. Japanese chip/display company **JSR** up 8% as ValueAct discloses a 7% stake in the company.

European markets are higher across the board today but still on pace for their worst quarter since 2002. **Hello Fresh** higher by 12% to record highs after pre-announcing a strong Q1 driven by the coronavirus. **ArcelorMittal** up 6.5% after cutting back on production. **WPP Group** higher by 9% after suspending their dividend and pulling guidance. **Imperial Brands** up 12.5% after affirming no impact from COVID-19. Medical devices company **Smiths Group** up 5% as they delay the separation of their medical devices unit. Generics company **Hikma** up 4.4% after winning a patent fight with Amarin. **Shell** higher by 5% after pulling out of an LNG project in Louisiana as they look to control costs amid COVID.

Finally, turning to **economic data**, it was a busy night. China composite PMI was 53.0, up from 28.9 in February, while manufacturing bouncing back to 52.0 vs 45.0 forecast although the government warning the data doesn't mean the economy is back to normal. Japanese industrial production was 0.4% vs 0.1%. South Korean industrial production was slightly weak at -3.8% vs -1.8%. Eurozone CPI was 1.0% vs 1.2% prior. German unemployment improved a bit to 5.0% vs 5.1%. UK GDP was in line at 1.1%.

S&P TECHNICALS

Levels: Support 2400/2500; Resistance 2625/2700



553 Above	SMA50	Below 7161
7.2%		92.8%
725 Above	SMA200	Below 6989
9.4%		90.6%

KEY EVENTS**Earnings After the Close:** BB, PAYS, PUMP, VRNT**Analyst Days:** EPD, BKD, XYL, PFE, TSEM**Tomorrow...** ADP Nonfarm Payrolls at 8:15am, Manufacturing PMI at 9:45am, ISM Manufacturing at 10:00am**Earnings:** Dollarama, LW, UNF**ANALYST ACTION/COMMENTS****Vale (VALE)** upgraded to Buy at Goldman**Sanderson Farms (SAFM)** upgraded to Buy at Barclays**Sirius (SIRI)** upgraded to Buy at Citi**Acadia (ACAD)** upgraded to Buy at Goldman**Parsley (PE), Noble (NBL), PDC Energy (PDCE), Cimarex (XEC), Bonanza Creek (BCEI), CNX Resources (CNX), Comstock (CRK), EOG Resources (EOG)** upgraded to Buy at Stifel**Dollar General (DG)** upgraded to Buy at Wells Fargo**IDEX (IEX)** upgraded to Buy at Cowen**Oracle (ORCL)** upgraded to Buy at BNP Paribas**HP Enterprise (HPE)** upgraded to Buy at Wells Fargo**Mosaic (MOS)** upgraded to Buy at BAML**Cirrus Logic (CRUS)** upgraded to Buy at BAML**Cheesecake Factory (CAKE)** upgraded to Buy at Gordon Haskett, \$30 PT**Illinois Tool (ITW)** downgraded to Hold at Jefferies**Whiting (WLL)** downgraded to Sell at Stifel**Honeywell (HON)** downgraded to Hold at Atlantic**Xylem (XYL)** downgraded to Neutral at Atlantic**Twilio (TWLO), Coupa (COUP)** downgraded to Neutral at Piper Sandler**Insulet (PODD)** downgraded to Hold at Berenberg**Teladoc (TDOC)** downgraded to Hold at Berenberg**Kodiak (KOD), Apellis (APLS)** initiated Buy at BMO**MEDIA HIGHLIGHTS**

Coronavirus epidemic 'far from over' in Asia – Reuters

Goldman sees US GDP shrinking 34% in Q2, down from 24% previously – Bloomberg

A Quarter of Annual Buyback Volume Has Been Yanked, says Goldman – Bloomberg

American Air (AAL) seeks up to \$12B in aid – ReutersChina sales seen picking up after coronavirus blow: **Volkswagen** – Reuters**HelloFresh** sees strong Q1 on virus sales boost – ReutersActivist investor Starboard says it has 9.3% stake in software firm **Commvault (CVLT)** – ReutersNew York AG examining **Zoom Video's (ZM)** privacy, security practices - NY TimesFDA may extend application period for e-cigarette makers (**MO, PM**) - WSJ**Pioneer Natural (PXD), Parsley Energy (PE)** ask Texas to curb oil output – WSJ

Stock Investors Buy Into Corporate Bond Surge – WSJ

Expedia (EXPE) could cede market share in US to **Booking (BKNG)** amid liquidity headwinds – BloombergToy sales surge as coronavirus pandemic keeps kids home (**HAS, MAT**) – NY Post**STOCK SPECIFIC NEWS OF NOTE****GPS, M, KSS, CATO, ASNA** implement furlough program**CROX, NTAP, CNHI, PLNT, DPZ, HLX** withdraws FY guidance**CytomX Therapeutics (CTMX)** to receive \$40M milestone payment from **AbbVie (ABBV)****Air Canada** cuts capacity by 85% to 90%**Reata Pharmaceuticals (RETA)** stops CATALYST, RANGER trials amid COVID-19 pandemic**Nutrien (NTR)** continues to see solid demand**Visa (V)** says Domestic spending in travel, restaurants declined notably**Amarin (AMRN)** plummets after Vascepa patents ruled invalid by court**MagnaChip (MX)** to sell Foundry Business, Fab 4 to special purpose company for \$435M

PRE-MARKET MOVERS

Moving Higher: HAL 9.6%, OXY 7%, AAL 6%, NCLH 5%, DAL 4.7%, BP 4.5%, XOM 4%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: CRS, ET

Selling: IONS, MDB, TPTX, RTN, MU, CARG, DOCU, MDLA, STX, CIEN, BMRN

POTENTIAL SYMPATHY TRADES

WSM – on RH earnings

OPTION HIGHLIGHTS (Prior Day)

Hannon Armstrong (HASI) with a sizable buyer of 4500 September \$25 puts on Friday up to \$8.50 to open, a more than \$3.5M purchase and the only notable OI in the name. Shares have been cut in half since February and rebounded last week to the 23.6% Fibonacci of the move with a small bear flag. A move under \$19 could re-test the recent lows around \$16 and create further pressure down to low-\$10 range. The \$1.4B company trades 13X earnings, 9.86X sales, and 225X cash with a 6.83% yield. HASI provides capital and services like loan originations to the renewable energy markets in the US, and relies heavily on credit markets in the US. They see a slowdown in EPS growth to 5% and then 1.5% the next two years, down from 15.5% in 2020. The company carries a lot of fixed-income investments with roll-offs every year and a lack of new opportunities would significantly impact their ability to grow and replace within their \$2B portfolio. HASI has previously said they see near-term opportunities in residential solar and community projects, but both could see sharp pullbacks in originations as spending is curtailed due to COVID-19. Also, they have a fairly leveraged portfolio of variable debt investments which will be impacted by changes in rates. Analysts have an average target for shares of \$34. Baird positive on 3-25 seeing HASI as a potentially recession resistant name with sufficient liquidity and access to diverse capital sources. BAML upgraded to Buy on 3-24 noting that while concerns exist, the latest bond market turmoil has disproportionately impacted the shares. Short interest is 9.4% and climbing sharply since November when it was around 5.5%. Institutional ownership rose 5.25% in Q4. Melvin Capital a buyer of puts equivalent to 1.2M shares. HASI has seen some small-dollar value insider buying in March around \$19-\$20, although no more than \$85k.

AFTER HOURS MOVERS

Gainers: OMI 11%, PE 4%

Losers: AMRN -70%, RH -12%, RETA -10%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.70	Cautious
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	28	Fear
NYMO	37.02	Slight Overbought
McClellan Summation	-1120.39	Right at 8-EMA
Lipper Fund Flows	-\$27.1B	Significant Outflows
Univ. of Michigan Consumer Sentiment	95.9 (March Prelim)	-2.5% Y/Y
Cumulative A/D	Turning Higher	Below 40-MA
VIX:VXV	1.18	Elevated
NAAIM Exposure Index	25.87	Extreme Low
AAII Sentiment	52.1% Bears	Extreme Bearishness

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

Pinduoduo (PDD) announces private placement to certain long-term investors of \$1.1B in new class A shares

Carnival (CCL) commences \$1.25B stock offering

TRADE

WEEKLY TECHNICAL BREAKOUT

GSX:



GSX Techedu (GSX) shares consolidating in a multi-week flag above its 50-day MA and cloud support. A move above \$45 has room up to \$55 while MACD is nearing a bull crossover and RSI is right around 60 and ready to run. GSX has shown strong relative strength recently.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Qualys (QLYS)

Price: \$84

Valuation: Undervalued

Analysis: QLYS is a \$3.4B software company that does IT security and compliance. QLYS trades 9.88X EV/sales, down from around 35X in late 2019, and sees mid-double digit growth. QLYS has a cloud-native security platform that is more in-demand in a modern infrastructure and sweet spot for IT spending. They have tailwinds from growing cyber risk and boast impressive margins which has long made them an intriguing target.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CTL:



Century Link (CTL) shares are forming a bear flag just above \$8.50 with a series of lower highs and unable to move past the 8-EMA with follow-through. RSI has rebounded back around 40 but a breakdown has room to move with a measured target to \$6.

PAIR TRADE OF THE WEEK

Industry: Stay at Home Social

Long/Short: Long Snap (SNAP), Short Match (MTCH)

Analysis: SNAP stands to benefit from increased time on phones at home which will help them retain advertising dollars during a time of pullback. SNAP also has less exposure to small business, which is a plus. MTCH relies not just on person-to-person contact but also on the hospitality industry which is in a state of uncertainty.

SMALL CAP TRADE OF THE WEEK

Palomar (PLMR) is a \$1.36B P&C insurance company that focuses on commercial specialty property for events like hurricanes, floods, and earthquakes. PLMT trades around 6X book with a fairly clean balance sheet. They've invest in data analytics and next-gen tech to develop a suite of products for underwriting premium and managing risk which his giving them an edge on peers and generating strong returns.

News Continued

The Stars Group (TSG) announces UK CMA clearance for combination

Bristol-Myers (BMY), Bluebird Bio (BLUE) submit BLA to FDA for for idecabtagene vicleucel

Wall Street Is Quietly Telling Companies Not to Draw Their Loans – Bloomberg

Warren Buffett's \$10 Billion Bet on **Occidental Petroleum (OXY)** Is Looking More Dicey – Barron's

UK banks expect regulator to order dividend freeze – FT

Extras

Roku (ROKU) with 1000 January \$80 puts sold to open in stock replacements near \$16.90

Dine-Equity (DIN) buyer 500 September \$17.50 puts \$3.60, owner of Applebee's and IHOP

Credit Acceptance (CACC) with 300 July \$185 OTM puts bought \$17.80 to \$19.40

Inovalon (INOV) with 1250 May \$17.5 calls bought \$1.25 offer in a sweep

Eaton (ETN) afternoon buyer 1200 May \$90 calls \$1.75 offer

Editas (EDIT) with 1000 August \$25 calls sold to open for \$3.45

IBM (IBM) afternoon buyer of 1000 January 2022 \$100 ITM calls \$21.30 to \$21.80 to open

Gilead (GILD) afternoon stock replacement sold 2100 June \$75 puts to open \$8.40

Royal Caribbean (RCL) with 2500 June \$17.50 puts actively sold to open near \$4.35

Coca Cola (KO) with more than \$1M in May \$40 ITM calls opening yesterday up to \$6.10 and follows sellers in the December \$35 puts on Friday. The September \$45 calls and Jan. 2022 \$40 calls active recently as well as flows turn more bullish in the name, the latter a near \$1M buy. Shares are consolidating above its 8-EMA and under a low-volume gap. March VWAP is just above at \$46.25 and above that level has room to run back to a big VPOC at \$54. The \$199B company trades 19.4X earnings and 5.3X sales with a 3.65% yield. KO sees high-single digit growth over the next two years, slightly better than peers. KO likely sees an impact in the short-term from COVID-19 as it will decrease restaurant volumes but they have wide reach in grocery aisles as well including areas like water which has seen strong growth and helped the company gain the most share in almost a decade last quarter. The company continues to execute on initiatives like smaller packs, mini cans, health and wellness forward and expanded flavors which is helping them win in key nonalcoholic categories. Analysts have an average target for shares of \$57. Argus upgrading the stock to Buy on Friday with a \$54 PT citing Coca-Cola's financial strength as evidenced by its ability to issue \$5B of new bonds with the offering said to be "massively oversubscribed." JP Morgan upgrading to Overweight on 3-23 as the balance sheet remains solid and sees no risk to the dividend. The firm also notes that KO shares are pricing in an unreasonable scenario where volumes fail to recover much of any of the negative COVID-19 losses. Short interest is negligible. Hedge fund ownership rose 1.1% in Q4. Aristotle Capital buyers of 5M shares.

Earnings Preview

Walgreens (WBA) will report earnings on Thursday before the open with the Street looking for \$1.46 on \$35.24B in revenue. The FY is guided to \$5.85 and \$140.12B. WBA has traded lower in four of the last six with an average closing move of 5.06% and a max move of 12.8%. The options are pricing in a 5.9% move this quarter with skew slightly bullish. The \$41.52B company trades 7.5X earnings and 0.30X sales with strong FCF that supports a 4% yield. WBA sees low-single digit growth the next two years. WBA is coming off a tough quarter with softer sales due to growing competition in the US pharmacy space, reimbursement pressure, lower brand inflation and less traffic despite a big store revamp. They also continue to have excess inventory, which is weighing a bit as they push through a more promotional environment. WBA continues to execute on their Cost Management Program and on track for \$1.8B in savings by FY22. A big question on the quarter will be COVID-19 and its impact on sales and the FY guidance. WBA has shifted to free Rx delivery and shipping which could change the outlook. COVID-19's impact on their EU business is also a question. Analysts have an average target for shares of \$58. BAML noting on 3-26 that the company is capturing some "COVID-19 bump" but not enough to substantially move the needle in Q2 and more of a Q3 story. They think WBA is probably seeing higher front stores sales (demand for medical supplies as well as a run on household items) and, to a lesser extent, some incremental script uplift given the waiving of refill timing limits due to the outbreak. Short interest is 2.2%. Hedge fund ownership fell 4% in Q4. Point72 and OShaughnessy Asset Management notable buyers. WBA saw insiders active in April 2019 when the Co-COO bought nearly \$1M in stock at \$54.26. In November, it was reported that WBA was considering an LBO and Bloomberg noting that KKR was an interested party in the deal.

Earnings Review

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
CRON	Cronos Group	-\$0.17	-\$0.04	\$7.30	\$16.51	69.80%	
RH	RH	\$3.72	\$3.59	\$664.98	\$708.69	-0.90%	Withdraw FY
CAG	Conagra		\$0.49		\$2,588.48		
MKC	McCormick	\$1.08	\$1.03	\$1,212.00	\$1,230.96	-1.60%	Withdraw FY

RH – Beat on EPS and Missed on Revs - Fiscal 2019 was an outstanding year for Team RH. We achieved record results across every key metric of our business while continuing to elevate the brand and create strategic separation in our industry. The record results were driven by higher product margins, plus lower occupancy and shipping costs due to the elimination of our Holiday assortment and the continued efficiencies of our new operating platform. We believe the revenue shortfall in the quarter was a result of two temporal issues. One, the elimination of our Holiday assortment created unforeseen collateral damage to our core business due to the lower customer traffic in both our stores and online during the peak weeks, and two, we experienced higher than expected backorders due to inventories being down 18% year over year. While it's hard to be precise forecasting business transitions such as the elimination of Holiday short term, long term it has proven to be the right decision, elevating the RH brand while significantly improving profitability and cash flow. Due to the significant disruption to financial

markets and retail business operations, we are withdrawing all prior guidance and outlook statements that relate to the performance of our business with respect to fiscal year 2020. We anticipate providing additional information about our outlook and financial expectations at some point in the future when our business becomes more predictable. Like others, we will take the expected steps of deferring new business introductions and capital spending, while reducing costs to navigate through the short term challenges of this crisis. Unlike others, and due to our exceptional financial model, we believe we are well positioned to take advantage of the many opportunities that present themselves during times of dislocation. It was during the depths of the Great Recession, when the word “value” drove an entire industry to lower quality and reduce prices, that we chose to move in the opposite direction, raising the quality of our offering, and positioned RH as a disruptive force in the lucrative luxury home furnishings market. Out of the clutter of the current crisis, from the discord and related drama, and in the middle of what seems like the most difficult of times, we are once again destroying our current reality to reimagine RH in a manner that will, in the words of Steve Jobs, “Change everything, again.”