

TOP STORIES

- Global Markets Pullback as Coronavirus Cases Outside of China Continue to Accelerate
- OPEC Reaches Deal on Massive Oil Supply Cut to Offset Coronavirus Impact
- House Passes \$8.3B Emergency Funding Bill to Combat Coronavirus

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3055.75 (-59)	-72.87
Nasdaq	8731.5 (-165)	-216.78
Dow	26515 (-450)	-556.86

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6700.34	-1.71%
DAX	11935.35	-1.59%
Nikkei	21329.12	1.09%
Hang Seng	26767.87	2.08%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Weekly Claims	215k
8:30	Productivity/Costs	1.4%
10:00	Factory Orders	-0.1%
10:30	EIA Nat Gas	
4:30	Fed Balance Sheet	

FOREX

EUR/USD	1.118 (0.43%)
USD/JPY	106.86 (-0.62%)
USD/CAD	1.342 (0.28%)
GBP/USD	1.292 (0.42%)

COMMODITY

Oil	46.64 (-0.30%)
Natural Gas	1.836 (0.49%)
Gold	1648.7 (0.35%)
Copper	2.5835 (-0.10%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	31.36 (-14.83%)
Nasdaq	VXN	32.90 (-16.35%)
Oil	OVX	51.20 (0.79%)
Gold	GVZ	18.57 (-15.63%)

MARKET OUTLOOK

Futures are indicating a weak open for the day after rallying more than 1,000 points on Wednesday following Joe Biden's big Super Tuesday win. There doesn't appear to be anything specific driving the big drop today but as has been the case for weeks it has a lot to do with sentiment around the coronavirus. California declared a state of emergency as the situation worsens and another cruise ship is being held offshore. This is also being coupled with more US cases overall and a poorly communicated response from White House officials. In Europe, Italy continues to deal with the massive fallout of cases as they close schools and take other extreme measures. Elsewhere, crude is basically flat this morning after OPEC reportedly agreed to a massive oil supply cut to help combat the impact of the coronavirus.

Asian markets followed the US close higher with the Nikkei having its best day in a month. Breadth was strong despite some caution remaining about the virus's impact. **Takeda** higher by 3.5% after it said it was developing a vaccine.

European markets had a much different sentiment this morning sliding by more than 150 bps across the board. There were a couple profit warnings weighing today. German auto supplier **Continental AG** down 10.5% after warning on a big global downturn in autos. **Airbus** down 3% after a report the company was considering a cut to production as one of its biggest customers deferred deliveries due to a slump in travel demand. Broadcaster **ITV** down 9% after warning that ad revenues would fall as travel companies defer spending. **Hugo Boss** slightly higher despite warning on their outlook. **ProSieben** down 10% after buying US dating app developer Meet Group. **Merck KGaA** one of the few positives up 1.5% after earnings.

Finally, turning to **economic data** for the night, it was fairly quiet. Singapore retail sales fell 5.3% in January. Australian imports and exports both dropped in January.

S&P TECHNICALS

Levels: Support 2865/2800; Resistance 3100/3150



5997 Advancing	Declining 1486
78.0%	19.3%
155 New High	New Low 264
37.0%	63.0%
1690 Above SMA50	Below 6001
22.0%	78.0%
2932 Above SMA200	Below 4759
38.1%	61.9%

KEY EVENTS

Earnings After the Close: ADT, AOBC, CAI, CHUY, COO, COST, CYRX, LOCO, XOG, FNKO, HRB, IMMR, OKTA, OOMA, PGNV, NX

Analyst Days: XOM, TDOC, AMD

Conferences: Morgan Stanley TMT, UBS Consumer/Retail

Tomorrow... OPEC Meeting, Nonfarm Payrolls at 8:30am, Unemployment at 8:30am, Imports/Exports at 8:30am, Trade Balance at 8:30am

Earnings: Essilor Luxottica

ANALYST ACTION/COMMENTS

British American (BTI) upgraded to Buy at Bernstein

Novocure (NVCR) upgraded to Buy at Wells Fargo

Dollar Tree (DLTR) upgraded to Buy at Deutsche Bank

Snap (SNAP) upgraded to Buy at MKM Partners

Campbell Soup (CPB) upgraded to Neutral at CSFB

Amgen (AMGN) upgraded to Buy at BAML

Skyworks (SWKS) upgraded to Buy at Canaccord

Aramark (ARMK) upgraded to Buy at Bernstein

Fire-Eye (FEYE) upgraded to Buy at Goldman Sachs

Gildan (GIL) upgraded to Buy at Scotiabank

Silicon Labs (SLAB) upgraded to Buy at Needham

Robert Half (RHI) upgraded to Neutral at North coast

Dycom (DY) upgraded to Buy at DA Davidson

Cars.com (CARS) upgraded to Buy at DA Davidson

State Street (STT) downgraded to Hold at Deutsche Bank

Alexion (ALXN) downgraded to Neutral at BAML

Moderna (MRNA) downgraded to Neutral at BAML

Check Point (CHKP) downgraded to Sell at Goldman

Citi starting **ABT, DXCM, BSX, ZBH, EW, SYK, PEN, IRTC, JNJ, PODD, NVRO, MDT** at Buy; **NUVA, TNDM, COO, BDX, BAX, ALC** at Neutral, and **GKOS** at Sell

MEDIA HIGHLIGHTS

China says consumer sales steadying after virus hit – Reuters

The Fed Is Likely to Cut Again – WSJ

Trump seeks to stamp out airline bailout talk – Politico (**AAL, UAL, DAL**)

Jetblue (JBLU) to initially cut capacity by roughly 5% in near-term - Bloomberg

SEC Plan Would Allow Startups to Raise More Money Under Light-Touch Rules – WSJ

Coronavirus Leaves Cruise Industry With Canceled Trips and Half-Empty Ships – WSJ (**RCL, NCLH, CCL**)

Senate Passes Bill Requiring 5G Security Review – WSJ

Credit Suisse (CS) chairman seeks to extend tenure beyond 2021 – FT

Oyo to halve China workforce as coronavirus takes toll – FT

Continental AG predicts 5% drop in passenger car market, cuts guidance – FT

Japan committed to hosting Olympics on schedule – Reuters (**CMCSA, DISCA**)

Airbus Weighs A330 Output Cut After Top Buyer Seeks Deferral – Bloomberg

Japan's **Seven & I** drops plan to buy **Speedway (MPC)** for \$22bn – Nikkei

New **Henkel** CEO plans to divest or discontinue some brands – Reuters

Intelsat (I) investors sold shares just before satellite company's massive stock plunge – NYP

STOCK SPECIFIC NEWS OF NOTE

Align Technology (ALGN) acquires exocad for €376M

Finjan (FNJN) to remain independent after evaluating strategic options

Advance Auto Parts (AAP) board chair Smith, head of activist Starboard Value, to not stand for re-election

Xenia Hotels (XHR) to sell seven-hotel portfolio for \$483M

Medifast (MED) CFO to step down

Meet Group (MEET) to be acquired by **NuCom Group** for \$6.30 per share

HP Inc. (HPQ) rejects unsolicited exchange offer from **Xerox (XRX)**

PRE-MARKET MOVERS**Moving Higher:** CODX 18%, APT 12%**Moving Lower:** ZM -5%, CCL -5%, RIO -4%**INSIDER TRADING (Form 4 Filings)****Buying:** FNF, BCO, RLG, KBR, CPE, PANW, HII, CUTR, ELAN, CVX, TRN**Selling:** CCOI, BBIO, ETN, FICO, TPX, TMO, ADUS, XEL, A, FFIV, TELL, GRMN**POTENTIAL SYMPATHY TRADES**

VFC, LEVI – on KTB earnings

INFN, JNPR, CSCO – on CIEN earnings

OPTION HIGHLIGHTS (Prior Day)

Activision (ATVI) with 2,000 ITM May \$50 calls bought today around \$11.35 to \$11.55, sizable trade and follows buyers recently in the June \$65 calls and May \$62.50 calls. ATVI has also seen accumulation in the January \$65 calls for some size. Shares have held up well and just 6% off of 52-week highs while crossing back above its 8-EMA this week. ATVI continues to rebound from the late 2018 selloff and has a big VPOC up above at \$75 to target. The \$45.3B company trades 20.92X earnings, 7X sales, and 26.4X FCF with a small yield and mid-teens EPS growth. ATVI sees revenues up 8% and then 10% the next two years. ATVI sets up favorably into the next-gen gaming world and a number of company-specific catalysts in 2020 to drive value including a big slate of games set to hit the market including a new World of Warcraft expansion in August, their new cloud partnership with Google and continued evolution of e-Sports. ATVI is widely expected to launch Call of Duty Warzone's Battle Royale mode within the next two weeks, a nice near-term catalyst. Analysts have an average target for shares of \$65. Stephens naming it their best new idea on 3-2 with a \$72 PT. The firm cites longer-term catalysts from Asia if coronavirus continues to affect consumer behavior and the company's firepower for acquisitions given that it currently has its largest net cash position since 2012. Sun Trust has a \$68 PT given their strong core IP and franchises as well as its deep game pipeline and leadership in merchandising. Short interest is 2.4% and dropped from 3.5% in January. Hedge fund ownership rose 2.5% in Q4, Jericho Asset Management with a big add of 4.7M shares and their new top position. Viking Global, Light Street, and Park West all buyers as well.

AFTER HOURS MOVERS**Gainers:** MRVL 10%, FLEX 7.5%, AEO 5.5%**Losers:** GWRE -13.5%, PTCT -7%, ZM -6.6%, BPMC -4%**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****SECONDARY MONITOR****Keurig Dr Pepper (KDP)** 37.5M share Spot Secondary priced at \$27.25

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.

News Continued

New entry-level LCD **iPhone (AAPL)** reportedly enters final verification stage – Digitimes

China's Top Natural Gas Buyer Cancels Imports After Epidemic Hurts Demand – Bloomberg

Hugo Boss Warns Profit May Miss Forecasts on Coronavirus – Bloomberg

Norwegian Air Pulls 2020 Guidance, Cuts Flights on Coronavirus – Bloomberg

2020 smartphone production to fall 3.5% due to coronavirus, says Trendforce

Apple supplier **Foxconn's** revenue hammered by coronavirus fallout – Reuters

IATA warns airline 2020 passenger revenue could fall by up to \$113B – Reuters

Finland's **Nokia (NOK)** announces 5G partnership with **Intel (INTC)** – Reuters

HP Enterprise (HPE), AMD win deal for U.S. supercomputer to model nuclear weapons – Reuters

Warner Music postpones IPO – WSJ

The Buckle (BKE) reports February SSS up 6.3%

Cato Corp. (CATO) reports February SSS down 3%

Southwest (LUV) cuts Q1 RASM view

Fastenal (FAST) reports February sales up 4.7%

Extras

Philips 66 (PSX) with 2,000 August \$85 calls bought late \$2.10 to \$2.30

Mellanox (MLNX) with 1500 September \$115 calls bought \$11.20 spread with the \$135 calls sold \$2.40

Coca Cola (KO) sale of 3000 September \$65 calls \$0.61 in a buy-write

Berkshire (BRK.B) buyer 1000 June \$215 calls to open \$9

Mercado-Libre (MELI) with 450 June 2021 \$680/\$980 call spreads bought

Avis (CAR) buyer 1200 April \$30 calls \$2.35 to \$2.65

Ryanair (RYAAY) late day buy of 1000 September \$70 puts \$8.50 to \$9.20

Alaska Air (ALK) buyer of 1500 January \$45 puts for \$6.05

Crispr Therapeutics (CRSP) with 2,000 April \$55 calls bought yesterday afternoon for \$4.40 to \$4.60, IV jumpy into the final hour. CRSP still has 1,000 April \$70 calls in OI from a big buy in December around \$7.20. CRSP with a sharp run in the Fall and pulling back to the rising 200-MA where it has formed a small base. A move out of this downtrend above \$56 has room back to \$66 and a VPOC from December. CRSP has a big weekly double-top at \$74 and a breakout targets \$100. The \$2.88B biotech trades 10X sales and 3X cash with limited debt. CRSP is focused on a transformative gene editing procedure known as CRISPR (“Clustered Regularly Interspaced Short Palindromic Repeats”). CRISPR is a genome editing tool by which Cas proteins enter the body and recognize and eliminate problematic DNA. It differs slightly from other gene editing procedures as it only focuses on one mutated bit of gene. CRSP was founded by one of several scientists involved with the initial creation of the process and they’ve developed partnerships with several names to develop gene editing therapies. CRSP has been working with Vertex (VRTX) recently on CTX001 for the treatment of severe blood disorders like transfusion-dependent beta thalassemia and sickle cell. They are also working on their own wholly owned CAR-T program with data expected this Summer and an IND filing for their second CAR-T program expected by mid-year. Analysts have an average target for shares of \$77. Piper Sandler positive on 1-6, a Top Pick, noting that “While early, CTX001 could prove curative for severe patients.” They have a \$104 PT for shares. Stifel started coverage at Hold on 3-4 with a \$52 PT. The firm thinks while the Ca9 tech has the potential to form the basis of a broad, multi-product platform its unclear how investor sentiment will evolve as other companies are also using the tech. Short interest is 4.7% and down steadily from around 9.6% in December. Hedge fund ownership rose 25% in Q4. Vertex (VRTX) owns an equity stake of more than 5M shares. Bayer has a 7.2% stake in the company and sold some in January.

Sage Therapeutics (SAGE) notable trade yesterday with 2,000 May \$55 puts sold to open down to \$8.45 and follows a small buy in the August \$50 calls on 3-2 for more than \$400k. SAGE has been under pressure since early December when their lead drug SAGE-217 failed in a Phase 3 trial in major depressive disorder (MDD). The drug failed to show significant results vs a placebo but the company argued later in a post-hoc analysis that one in ten patients in the trial didn’t comply with the dosage guidelines and without those patients they actually met their goal. SAGE also saw efficacy in patients at different time markets and CEO Jeff Jonas has argued that SAGE-217’s results in MDD were not as big of a miss as thought that wiped out half their market cap. The company halted other trials of SAGE-217 and has engaged with the FDA on next steps on the future of the pivotal drug. MSCO was out on 1/14 noting that while the company hasn’t commented on a timeline, the firm expects management to provide FDA commentary when they receive minutes from their meeting, which he would expect by late in this quarter or early in the second quarter. They think Sage will succeed in negotiating modifications to the SAGE-217 program and continues to see upside in the company’s early pipeline. Stifel positive on 3-1 saying SAGE under \$50 is ‘one of the best opportunities in their coverage’ and SAGE-217 is a single positive acute major depressive disorder study away from being just as big of a drug as investors have always hoped. They also think SAGE-217’s value in postpartum depression is underappreciated, even if another study is needed.

Earnings After the Close

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
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ABM	ABM Industries	\$0.39	\$0.29	\$1,613.00	\$1,600.99	0.30%	
AEO	American Eagle	\$0.37	\$0.36	\$1,310.00	\$1,268.11	5.30%	FY In Line
GWRE	Guidewire Software	\$0.21	\$0.12	\$173.50	\$163.83		FY Below
MRVL	Marvell	\$0.17	\$0.16	\$718.00	\$710.81	-3.60%	FY In Line
PING	Ping Identity	\$0.14	\$0.10	\$68.20	\$65.74	14.60%	FY In Line
REVG	REV Group	-\$0.04	-\$0.02	\$532.10	\$504.52	2.60%	FY Above
RYI	Ryerson	\$0.30	\$0.08	\$962.00	\$987.20	-17.10%	
SPLK	Splunk	\$0.96	\$0.97	\$791.18	\$783.34	27.20%	
ZM	Zoom Video	\$0.15	\$0.07	\$188.25	\$176.88	77.90%	FY Above

SPLK – Missed on EPS and Beat on Revs - As we deliver increasing value from our expanding product capabilities, customers are turning to our cloud offerings more and more. We expect our cloud products could represent more than 60% of our total software business in the next few years and during this shift, ARR is the best metric to evaluate our growth. We grew ARR by 54% in fiscal year 2020 and are targeting a 40% ARR CAGR over the next three fiscal years.

AEO – Beat on EPS and Revs - Although we faced some challenges in 2019, we made good progress on our strategic growth pillars, posting record revenues. We saw strong customer engagement and positive traffic across brands and channels. Aerie delivered exceptional growth, led by its unique brand positioning and strong customer connection, and has significant runway ahead. American Eagle saw growth in its signature jeans and bottoms categories, where we continue to gain meaningful market share. I'm also pleased that we successfully cleared through excess holiday inventory, ending the year well-positioned

GWRE – Beat on EPS and Revs but Outlook Weak - Total revenue and profitability exceeded our outlook in the quarter, and we continue to see a clear shift to cloud-based core systems. However, the growing interest in cloud-based systems is dampening self-managed demand, impacting our full year outlook. Ultimately, this trend is a positive validation of our cloud strategy and reinforces our confidence in serving the more than \$2 trillion P&C industry.

ZM – Beat on EPS and Revs - We strive to empower our customers to accomplish more with our video-first unified communications platform. This is evidenced by our strong performance in the fourth quarter as we delivered a unique combination of high total revenue growth of 78% at a scale of \$188 million, GAAP income from operations of \$11 million, non-GAAP income from operations of \$38 million, and operating cash flow of \$37 million. Our execution also drove 61% growth in the number of customers with more than 10 employees and 86% growth in the number of customers contributing more than \$100K of TTM revenue

Earnings Before the Open

Ticker	Company	EPS	EPS	Revs Actual	Revs	Growth	Notes
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		Actual	Estimate		Estimate		
BJ	BJ's Wholesale	\$0.40	\$0.40	\$3,394.80	\$3,471.79	1.50%	FY In Line
BURL	Burlington Stores	\$3.25	\$3.23	\$2,201.40	\$2,207.65	10.50%	FY Below
CMD	Cantel Medical	\$0.61	\$0.67	\$288.50	\$290.45	28.50%	
CIEN	Ciena	\$0.52	\$0.38	\$832.91	\$818.48	7.00%	
DCI	Donaldson	\$0.51	\$0.46	\$662.00	\$696.41	-5.90%	FY Below
GMS	GMS	\$0.52	\$0.51	\$761.40	\$755.67	5.30%	
KTB	Kontoor Brands	\$0.97	\$0.92	\$652.60	\$683.26	-10.10%	FY Affirmed
KR	Kroger		\$0.56		\$28,878.69		
TECD	Tech Data	\$4.88	\$4.82	\$10,380.00	\$10,381.88	-0.008	
TTC	Toro		\$0.58		\$788.32		
VIPS	Vipshop	\$2.14	\$2.15	\$29,313.10	\$27,672.33	12.40%	FY Below