

**TOP STORIES**

- WHO Head Warns Worst of Virus Still Ahead
- Trump, Congress Near Deal for More Small Business Money
- Trump to Temporarily Suspend Immigration to US Amid Coronavirus

**INDEX FUTURES**

| Futures            | Change              | Fair Value    |
|--------------------|---------------------|---------------|
| <b>S&amp;P 500</b> | <b>2767 (-39.5)</b> | <b>-47.16</b> |
| <b>Nasdaq</b>      | <b>8625 (-67)</b>   | <b>-89.3</b>  |
| <b>Dow</b>         | <b>23073 (-415)</b> | <b>-466.5</b> |

**GLOBAL INDICES**

| INDEX            | CLOSE           | CHANGE        |
|------------------|-----------------|---------------|
| <b>FTSE</b>      | <b>5697.2</b>   | <b>-1.99%</b> |
| <b>DAX</b>       | <b>10377.68</b> | <b>-2.79%</b> |
| <b>Nikkei</b>    | <b>19280.78</b> | <b>-1.97%</b> |
| <b>Hang Seng</b> | <b>23793.55</b> | <b>-2.2%</b>  |

**ECONOMIC CALENDAR**

|              |                            |               |
|--------------|----------------------------|---------------|
| <b>8:55</b>  | <b>Redbook</b>             |               |
| <b>10:00</b> | <b>Existing Home Sales</b> | <b>5.335M</b> |

**FOREX**

|                |                       |
|----------------|-----------------------|
| <b>EUR/USD</b> | <b>1.083 (-0.28%)</b> |
| <b>USD/JPY</b> | <b>107.4 (-0.20%)</b> |
| <b>USD/CAD</b> | <b>1.423 (0.59%)</b>  |
| <b>GBP/USD</b> | <b>1.234 (-0.80%)</b> |

**COMMODITY**

|                    |                        |
|--------------------|------------------------|
| <b>Oil</b>         | <b>-10 (73.43%)</b>    |
| <b>Natural Gas</b> | <b>1.898 (-1.35%)</b>  |
| <b>Gold</b>        | <b>1685.1 (-1.52%)</b> |
| <b>Copper</b>      | <b>2.2245 (-4.12%)</b> |

**VOLATILITY INDICES**

| INDEX          | SYMBOL     | CLOSE                  |
|----------------|------------|------------------------|
| <b>S&amp;P</b> | <b>VIX</b> | <b>42.87 (12.37%)</b>  |
| <b>Nasdaq</b>  | <b>VXN</b> | <b>42.99 (11.96%)</b>  |
| <b>Oil</b>     | <b>OVX</b> | <b>224.54 (134.2%)</b> |
| <b>Gold</b>    | <b>GVZ</b> | <b>27.36 (1.48%)</b>   |

**MARKET OUTLOOK**

Futures are indicating a weak open again today with crude oil continuing to slide. Much of the fanfare was around the May contract yesterday which fell to -\$40.32 and has rebounded overnight to -\$7.13. But, today, the June contract is under pressure down 42% at one point to \$12. It has since bounced back slightly. Brent is also weak today which is a notable difference. Elsewhere, not a lot has changed. The COVID-19 discussion remains focused on a safe timeline to re-open the economy (a marked difference in how some states are approaching it). A deal is close to re-fill the PPP coffers and widely expected to be signed within the next day. Earnings season the focus now with **IBM** last night and **KO, LMT** before the open and a big day ahead with **Kering** mid-day and then **CMG, NFLX, TXN** tonight.

Asian markets were weak overnight reacting to the drop in oil prices. The Nikkei down almost 2%. Losses widened with a report that South Korean leader Kim Jong Un was ill, though initial reports have been downplayed. **Takara Pharma** up 10% as they build out mass production for their coronavirus vaccine. **Nintendo** up 1% as they boost production of the Switch.

European markets are also in the red this morning. **SAP** is down 2.7% after earnings and the departure of one of their co-CEOs. It was a mixed morning for earnings. **Associated British Foods** down 2.5% after pulling their dividend and guidance. **Danone** down 2% despite beating on SSS but they also withdrew guidance. **Daimler** off by 3.5% after setting up a JV with **Volvo** for fuel cells. Specialty chemicals company **Sika** up 4% after a boost to Q1 earnings. Lab equipment supplier **Sartorius** up 5% after raising guidance. **Peugeot** up 1% after earnings, affirming their outlook but warning its difficult to assess. They expect the EU vehicle market to drop 25% in 2020. Payments company **Adyen** up 5.5% after earnings. Revenue jumped despite weakness from travel and leisure.

It was a quiet night for **economic data**. South Korea imports were soft for April down 18.6%. The RBA minutes showed the central bank content to wait on further rate cuts. Eurozone ZEW sentiment rose to 25.2 in April. UK unemployment fell to 4% from 3.9%. German ZEW sentiment rose to 28.2 vs -42.3 forecast while overall Current Situation worsened.

**S&P TECHNICALS**

**Levels:** Support 2800/2750; Resistance 2875/2900



|                   |                |
|-------------------|----------------|
| 1984 Advancing    | Declining 5506 |
| 25.9%             | 71.8%          |
| 72 New High       | New Low 39     |
| 64.9%             | 35.1%          |
| 1872 Above SMA50  | Below 5800     |
| 24.4%             | 75.6%          |
| 1334 Above SMA200 | Below 6338     |
| 17.4%             | 82.6%          |

**KEY EVENTS**

**Earnings After the Close:** CP, CSL, CMG, CB, , FULT, HCSG, IBKR, MANH, NBHC, NAVI, NFLX, SNAP, TER, TXN, UCBI, USNA, WRB, WAFD, WTFC

**Tomorrow...** Housing Price Index at 9:00am, EIA  
Inventories at 10:30am

**Earning Before the Open:** Roche, Heineken, ST Micro, CRH, Akzo Noble, Moncler, Ingenico, Ipsen, APH, T, BKR, BIIB, BOKF, DAL, ERIC, EVR, FCFs, KMB, KNX, LAD, NDAQ, NEE, NEP, DGX, RCI, SLGN, STM, TDY, TMO, WWW

**ANALYST ACTION/COMMENTS**

**Las Vegas Sands (LVS)** upgraded to Buy at HSBC

**Williams (WMB)** upgraded to Buy at Goldman Sachs

**Sunoco (SUN)** upgraded to Buy at Stifel, \$26 PT

**Bank of Hawaii (BOH)** upgraded to Buy at Compass

**Atlas Air (AAWW), Southwest (LUV)** upgraded to Positive at Susquehanna

**Sprouts (SFM)** upgraded to Buy at Oppenheimer

**Gold Fields (GFI)** upgraded to Buy at BAML

**Kraft (KHC)** upgraded to Hold at DZ Bank

**Methanex (MEOH)** upgraded to Neutral at Bernstein

**Truist (TFC)** upgraded to Buy at Piper Sandler

**Chewy (CHWY)** downgraded to Neutral at UBS

**Eli Lilly (LLY)** downgraded to Neutral at UBS

**Charles River (CRL)** downgraded to Neutral at Jefferies

**Valero (VLO)** downgraded to Neutral at Jefferies

**Belden (BDC)** downgraded to Neutral at Stifel

**Acushnet (GOLF)** downgraded to Sell at Compass

**Schlumberger (SLB)** downgraded to Sell at DZ Bank

**Illumina (ILMN)** downgraded to Neutral at Baird

**Cardlytics (CDLX)** downgraded to Sell at BAML

**Bright Horizons (BFAM)** downgraded to Sell at BAML

**Jetblue (JBLU), American (AAL)** downgraded to Neutral at Susquehanna

RBC starting **CATS, CTLT, TRHC, HCAT, RCM, LVGO, MDRX** at Buy

**MEDIA HIGHLIGHTS**

Nat'l Restaurant Association says industry on pace to lose \$50B in sales in April

Hospitals tiptoe towards restarting non-emergency and elective procedures (**MDT, ZBH, NUVA**) - WaPo

**The Gap (GPS)** in talks to issue new bonds to weather coronavirus crisis - Bloomberg

**Envision Healthcare** weighs bankruptcy filing – Bloomberg

Subprime Car Buyers Skip Loan Payments in Sign of Trouble Ahead (**CACC, ALLY**) – Bloomberg

**Huawei's** Growth Evaporates After Coronavirus Compounds U.S. Woes – Bloomberg

**Starbucks (SBUX)** to debut **Beyond Meat (BYND)** products in China – CNBC

**Lord & Taylor** explores bankruptcy – Reuters

**Virgin Australia** falls to virus crisis, appoints administrator to find investor – Reuters

Justice Department Set to Approve Dairy Cooperative's Purchase of **Dean Foods (DF)** Assets – WSJ

**Goldman (GS)** sees spike in payment holiday requests from retail customers – FT

**STOCK SPECIFIC NEWS OF NOTE**

**Novan (NOVN)** to explore strategic, financial alternatives

**Darden (DRI)** reports SSS down 44.7% Q4 to date, better than the 53.6% drop on 4/12

**Grocery Outlet (GO)** prelim Q1 above street; reduction in shopper visits have been more than offset to date by an increase in average transaction size.

**General Electric (GE)** enters into \$15B revolving USD and EUR credit facility

**BHP Group (BHP)** CEO says China demand strengthened in recent weeks; expects EU, US to contract sharply

**Cara (CARA)** reports statistically significant improvement in primary endpoint in KALM-2

**Volvo, Daimler Truck AG** form JV for large-scale production of fuel cells

**Morningstar (MORN)** to acquire remaining 60% stake in **Sustainalytics**

**TradeWeb (TW)** prelim Q1 Above Street

**JM Smucker (SJM)** prelim FY results above Street; withdraws guidance for FY21

**PRE-MARKET MOVERS**

**Moving Higher:** NAT 11.5%, DHT 8.5%, STNG 7%

**Moving Lower:** USL -7%, APA -7%, ET -6%, SLB -6%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** SIEB, SCHW, OPK

**Selling:** SNPS, ATRC, STML

**POTENTIAL SYMPATHY TRADES**

**SQ, PYPL** – on Adyen results

**GIS, KHC, K** – on Danone results

**PEP, MNST, KDP** – on KO strong results

**TAL, GSX** – on EDU strong results

**MO** – on PM strong results

**OPTION HIGHLIGHTS (Prior Day)**

**Tencent Music (TME)** with more than 2,500 July \$9 calls being bought today between \$2.50 and \$2.70 and follows a recent buyer of the May \$11/\$12 call spread 3000X and the January \$11 puts sold to open 3,000X on 4/17. The July \$12 short puts are in OI over 7500X from late February while notable put sales also across the \$13 and \$11 strikes. Shares are near a bull flag breakout above \$11.40 today and move back above its 50-MA with YTD VPOC above at \$12.45. TME has been in a downward channel since early 2019 and needs a longer-term move above \$12.90 to start a bigger trend shift with upside targets around volume nodes at \$14 and then \$16. The \$18.29B company trades 20.5X earnings and 5X sales with a clean balance sheet with little-to-no debt and a health Current Ratio of 3.2X. TME was plagued earlier in the year by a lingering antitrust investigation by Chinese authorities but that was dropped in February clearing a near-term overhang. TME is expecting mid-20% revenue growth in each of the next two years and recently reported a double-digit book in revenue with paying users up 4.5M in Q4. They continue to convert free-listeners into paid subs well, up 47.9% Y/Y. On 3-31, the company was part of a consortium that closed on a deal for 10% of UMG from Vivendi. Analysts have an average target for shares of \$15.75. Hong Kong-based BOCOM raising to Neutral on 3-18. OpCo positive on 2-10 seeing the company as one of the more resilient during COVID-19 given the jump in online screen time and shift towards more individual activities centered on games, video, and music. Short interest is 1.3% and down from 2.4% in January. Hedge fund ownership surged 41% in Q4. Honeycomb Asset Management a buyer of 5.6M shares, now a 7% weight, while Merian Global and Tiger Legatus Capital other notables. Tiger Global has a 2.7M share position.

**AFTER HOURS MOVERS**

**Gainers:** STLD 6%, EFX 5%

**Losers:** IBM -3%, DRI -2.5%, KKR -2%, GPS -2%

**MARKET SENTIMENT / INTERNALS**

| INDICATOR                            | READING           | SIGNAL                |
|--------------------------------------|-------------------|-----------------------|
| CBOE Equity Put/Call Ratio           | 0.72              | High – but Flattening |
| VIX Curve                            | Contango          | Fear                  |
| CNN Fear & Greed Index               | 44                | Fear                  |
| NYMO                                 | 67                | High                  |
| McClellan Summation                  | -401.8            | Above 8-EMA           |
| Lipper Fund Flows                    | \$5B              | 3 Weeks of Inflows    |
| Univ. of Michigan Consumer Sentiment | 71 (April Prelim) | -27%                  |
| Cumulative A/D                       | Elevated          | Fear                  |
| VIX:VXV                              | 0.98              | Elevated              |
| NAAIM Exposure Index                 | 28.71             | Extreme Low           |
| AAII Sentiment                       | 42.7% Bears       | Extreme Bears         |

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

**IPO MONITOR**

Nothing Scheduled

**SECONDARY MONITOR**

**Grocery Outlet (GO)** announces offering of 10M shares

**Darden (DRI)** 7.83M share Spot Secondary priced at \$58.50

**Invitae (NVTA)** to sell 1.83M shares of stock for holders

**Tradeweb Markets (TW)** files to sell 10.95M shares of common stock

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**NVCR:**



**Novocure (NVCR)** shares near a base breakout over \$72.50/\$75 and move into a low-volume gap from late February that targets back to \$90. Shares are also near a move above the 200-MA while RSI and MACD both in strong trends.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Scotts Miracle Gro (SMG)

**Price:** \$117.50

**Valuation:** Undervalued

**Analysis:** SMG is a \$6.3B provider of lawn and garden products as well as a business for hydroponics which has exploded due to the cannabis business. SMG has rebounded back near 52-week highs and actually up around 11% on the year. The company should see less of an impact from COVID-19 as many of their outlets remain open as essential businesses and more people are likely to focus on their home / invest in their property as the urge to go out will be limited this Summer even with the shelter in place subsiding.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**AAL:**



**American Air (AAL)** shares are basing in a bear flag just above new lows and failing to rally with the rest of the market recently, despite some 'junk' names getting a bit lift. A move under \$10 has room down to \$6 with earnings this week a potential catalyst.

## PAIR TRADE OF THE WEEK

**Industry:** Home Goods

**Long/Short:** Long Target (TGT), Short Bed Bath & Beyond (BBBY)

**Analysis:** TGT in a position of strength within the group as they're seeing higher sales during COVID-19 while their variety of pick-up options including online and Shipt give them a leg up. BBBY continues to face major headwinds in their online business where they're losing the pricing war with Amazon and others.

## SMALL CAP TRADE OF THE WEEK

**Seneca Foods (SENEA)** is a \$335M company which focuses on packaging canned, frozen, and bottled produce. They do a lot of regional and National brands like Green Giant, Aunt Nellies, and Green Valley as well as private label goods like snack chips. The company likely benefits from a quarter of pantry-loading with end-markets like grocery, dollar stores, and club stores. SENEA has seen a lot of insider buying over the last twelve months, albeit smaller in size.

## News Continued

**Apple (AAPL)** may defer new AirPods Pro launch – DigiTimes

**Fannie Mae, Freddie Mac** may be able to buy home loans in forbearance – WSJ

**Scynexis (SCYX)** announces positive results from second Phase 3 study of oral ibrexafungerp

## Extras

**DuPont (DD)** with 1000 October \$50/\$60 call spreads bought this afternoon

**Take Two (TTWO)** late session buy of 1000 January \$100 puts for \$6.95

**Interactive Brokers (IBKR)** with 2000 May \$40 puts opening late day, earnings tomorrow night

**Ascend (ASND)** buyer 500 June \$135 calls \$10.50 to \$12 offers

**Atlassian (TEAM)** late day buy 550 May \$150 puts \$9.20 offer

**Apple (AAPL)** opening sale 1000 October \$275 puts \$27.55

**Zen-Desk (ZEN)** buyer yesterday of 800 August \$75 calls for \$7.80 to \$8 and follows a buyer of 750 October \$70 calls on Friday for \$9.60. ZEN has also seen a buyer of 500 Jan. \$55 calls on 4/8 for more than \$900,000 while the July \$100 calls have 1000X in OI from February. Shares are back above the 50% retracement of the move lower from the February high with YTD VPOC above at \$84.50. The \$8.24B company trades 10.3X EV/sales and 17X cash with expectations for 75% EPS growth and 26.5% revenue growth in FY20. ZEN is focused on expanding their product suite including multi-platform support and sales, messaging, and more. They see a huge and expanding TAM opportunity as they build into adjacent markets while also diversifying their client mix with more enterprise contracts which have more than 3X LTV/CAC than small business. ZEN could see strong tailwinds in a post-COVID world as customer/retailer relationship is in focus and adoption of cloud-based digital support systems grows. Analysts have an average target for shares of \$96. RBC with a \$100 PT positive on its Sell and Conversations products having a "meaningful" tailwind. BAML positive on 4/15 citing checks with partners. "Feedback suggests some slowdown in lead volume. However, renewal/upsell deals remained solid, from healthy upsell/cross sell activity for Sunshine, driven by demand for the new conversations tool. We also noted some uptick in the Sell CRM offering sold into renewals." Short interest is 7.5%, up from 6% in late 2019. Hedge fund ownership rose 13% in Q4. Whale Rock Capital, Polar Capital, Corvex, EMS Capital, Tiger Global, and Jericho Capital all notable holders.

## Earnings Preview

**Chipotle (CMG)** will report earnings tonight after the close with the Street looking for \$2.66 on \$1.397B in sales. The FY is \$11.2 on \$5.67B (the range of \$4.48B to \$6.35B). Shares have closed lower in three of the last four with an average closing move of 5.5%. The \$22.46B company trades 40.4X earnings, 4X sales, and 25X cash. CMG has been focusing on menu innovation under CEO Brian Niccol with items like queso, carne asada, and long-tested quesadillas. Comps have been outstanding lately up 9.8% in Q4 with digital sales up 78% and now around 19.5% of all sales. Analysts have an average target for

shares of \$835. Short interest is 6.8% of the float, rising a bit recently but down significantly from the 2016/2017 high near 20.5%. Cleveland Research positive on 4/14 as checks showed that comp declines have moderated over the last few weeks. The analyst sees the recent improvement being due to some pent up demand, free delivery offers, strong off-premise business, and solid marketing and thinks Chipotle is set up for a quicker recovery compared to peers. Wedbush with a \$860 PT seeing accelerated market share gains due to COVID-19 while digital/delivery will somewhat offset overall weakness. Wells Fargo with a \$969 PT. They see little visibility into Q1 but they expect CMG to be one of the first concepts to begin building new stores again in 2020 on pace with previous targets and push through previously planned sales initiatives. JP Morgan cautious on 4/6 noting that digital at 19.6% of Q4 sales is not big enough to drive upside in the model. Hedge fund ownership fell 5% in Q4.

### Earnings After the Close

| Ticker | Stock          | EPS Actual | EPS Est. | Revs Actual | Revs Est.   | Growth  | Notes      |
|--------|----------------|------------|----------|-------------|-------------|---------|------------|
| CDNS   | Cadence Design | \$0.60     | \$0.54   | \$618.00    | \$613.34    | 7.10%   | FY In Line |
| CCK    | Crown          | \$1.13     | \$0.92   | \$2,757.00  | \$2,730.52  | 0.10%   |            |
| EFX    | Equifax        | \$1.40     | \$1.28   | \$957.90    | \$907.27    | 13.20%  |            |
| HXL    | Hexcel         | \$0.64     | \$0.71   | \$541.00    | \$557.29    | -11.30% |            |
| IBM    | IBM            | \$1.84     | \$1.80   | \$17,571.00 | \$17,620.14 |         |            |
| STLD   | Steel Dynamics | \$0.88     | \$0.84   | \$2,575.10  | \$2,569.87  | -8.60%  |            |

**CCK – Beat on EPS and Revs** - Global beverage can shipments advanced 10% in the quarter, led by double-digit gains in Brazil, Canada, Europe, the Middle East and the United States, as consumers increasingly prefer cans for off-premise refreshment occasions. Solid global food can volume reflected a notable increase in North American shipments.

**STLD – Beat on EPS and Revs** - It is still too early to determine the full scope of the negative impact COVID-19 will cause to global economies and the related impact to domestic steel demand. At this time, domestic steel orders related to certain sectors have slowed considerably due to the temporary closures of numerous steel consuming businesses. In particular, the temporary closure of domestic automotive production and its related supply chain, as well as weakness in the energy sector, have reduced flat roll steel demand. Conversely, construction is the largest single domestic steel consuming sector and while some projects have been disrupted or postponed, at this time the sector still remains intact. Our steel order activity from construction customers, as well as our strong steel fabrication order backlog supports this sentiment. When states begin to "re-open" across our Nation, we believe steel demand will likely respond quickly based on current customer buying patterns and already low steel inventories throughout the supply chain

**IBM – Beats on EPS and Misses on Revs** - Q1 global business services revenue \$4.1B, flat y/y. Q1 global technology services revenue \$6.5B, down 6%. Q1 systems revenue \$1.4B, up 3%. Q1 global financing revenue \$299M, down 26%. IBM remains focused on helping our clients adapt to the immediate challenges of the COVID-19 pandemic, while we continue to enable them to shift their

mission-critical workloads to hybrid cloud and expand their use of AI to help transform their operations. Our first-quarter performance in cloud is a reflection of the trust clients place in IBM's technology and expertise today, and positions us to continue building an enduring hybrid cloud platform for the future.

### Earnings Before the Open

| Ticker | Stock             | EPS Actual | EPS Est. | Revs Actual | Revs Est.   | Growth | Notes |
|--------|-------------------|------------|----------|-------------|-------------|--------|-------|
| CIT    | CIT Group         | -\$2.43    | \$0.50   | \$496.00    | \$492.99    | 6.40%  |       |
| KO     | Coca-Cola         | \$0.51     | \$0.45   | \$8,600.00  | \$8,322.54  | 7.20%  |       |
| DOV    | Dover             |            | \$1.18   |             | \$1,661.51  |        |       |
| EMR    | Emerson           | \$0.89     | \$0.75   | \$4,570.00  | \$4,291.62  | 9.80%  |       |
| ENTG   | Entegris          | \$0.55     | \$0.51   | \$412.30    | \$416.35    | 5.40%  |       |
| GPK    | Graphic Packaging | \$0.31     | \$0.25   | \$1,599.10  | \$1,554.25  | 6.20%  |       |
| HCA    | HCA               |            | \$2.77   |             | \$13,122.95 |        |       |
| LMT    | Lockheed Martin   |            | \$5.84   |             | \$15,065.93 |        |       |
| MAN    | Manpower          | \$0.82     | \$0.76   | \$4,600     | \$4,226.08  | -8.8%  |       |
| EDU    | New Oriental      | \$0.93     | \$0.79   | \$923.22    | \$915.70    | 15.90% |       |
| OMC    | Omnicom           |            | \$1.17   |             | \$3,395.37  |        |       |
| PCAR   | PACCAR            |            | \$1.21   |             | \$4,893.07  |        |       |
| PM     | Philip Morris     | \$1.21     | \$1.13   | \$7,153.00  | \$6,869.73  | 6.00%  |       |
| REV    | Revlon            |            | -\$1.07  |             | \$499.20    |        |       |
| SAP    | SAP SE            | \$0.85     | \$0.94   | \$6,522.00  | \$6,527.92  | 6.60%  |       |
| SNA    | Snap-On           | \$2.60     | \$2.71   | \$852.20    | \$877.72    | -7.50% |       |
| SCL    | Stepan Company    | \$1.04     | \$0.78   | \$449.90    | \$448.67    | -8.00% |       |
| TRV    | Travelers         | \$2.62     | \$2.83   | \$7,229.00  | \$7,300.83  | 5.50%  |       |