

TOP STORIES

- Powell: Recovery Could Stretch Into Late 2021 but May Not Take Until Vaccine
- Powell: Fed has Capacity for More Action, Negative Rates Probably Not Appropriate
- US, China Tensions Threaten to Dominate WHO Meeting Today
- Japanese Economy Enters First Recession Since 2015
- US Coronavirus Cases Near 1.5M As States Ease Restrictions
- Justice Department, State AGs Likely to Bring Antitrust Suit Against Google

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2890.5 (44)	32.5
Nasdaq	9212.25 (115.75)	68.5
Dow	23895 (378)	291.2

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	5925.48	2.17%
DAX	10745.08	2.67%
Nikkei	20133.73	0.48%
Hang Seng	23934.77	0.58%

ECONOMIC CALENDAR

TIME	EVENT	VALUE
10:00	Housing Market Index	33

FOREX

EUR/USD	1.082 (0.01%)
USD/JPY	107.23 (0.20%)
USD/CAD	1.406 (-0.33%)
GBP/USD	1.213 (0.23%)

COMMODITY

Oil	31.87 (8.29%)
Natural Gas	1.722 (4.62%)
Gold	1771 (0.84%)
Copper	2.38 (2.12%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	30.45 (-6.62%)
Nasdaq	VXN	33.49 (-0.89%)
Oil	OVX	76.39 (-4.57%)
Gold	GVZ	23.63 (-2.15%)

MARKET OUTLOOK

Futures indicating a strong open to the week as more parts of the world begin to gradually re-open and Jerome Powell's appearance on 60 Minutes helped boost sentiment. The former saw continued progress over the weekend with Beijing positing positive traffic and restaurant data. We also saw Italy start to re-open, a number of companies like Apple announce plans to start opening again, and states like Georgia and Florida move forward with re-opening plans. Most encouraging is the lack of a big second spike so far in areas where re-opening has occurred. The other big focus is Jerome Powell. He said two important points on 60 Minutes last night. First: the recovery will likely take longer than some expect, especially until there's a vaccine. And second: there's a lot more the Fed can do to support the economy and that it was far from being out of ammunition. Elsewhere, oil is jumping up 8% as output cuts in the US are running bigger than expected.

Asian markets are slightly higher today more re-openings throughout the region. Japanese coronavirus cases slowed in the area as well, helping lift sentiment. **Softbank** up 1% after announcing another big buyback. They also said that Alibaba co-founder Jack Ma would step down from the board. **Sumimoto** Financial up 3.5% after a strong outlook. **Panasonic** reported a 29 drop in annual operating profits but did highlight another gain for their Tesla battery venture.

European markets are surging higher this morning. Funding a big topic of the morning. **Fiat** rose 4% as they started talks with the government on a new loan facility. **Ryanair** up 9% as they got a \$725M loan from the UK government. **EasyJet** and **IAG** up 6% to 7% as well in sympathy. **Accor** higher by 2.5% after announcing a new funding facility and giving a positive update on May bookings. Autos like **Renault** and **Peugeot** up 3% after French finance minister Le Maire told a radio program that the government was hoping to announce an aid plan in the next two weeks. **BP** and **Shell** are up about 4% as crude oil rallies. **Total** is also up 4% as they called off plans to buy Occidental's Ghanaian assets and reached a deal with Energias. **AstraZeneca** higher by 1.5% after an update on manufacturing capabilities for their vaccine. **Thyssenkrupp** is up around 5% after a report that they're talking with peers about consolidating their steel business.

It has been a positive morning for **economic data**. Japan GDP came in better than feared at -3.4% vs -4.6% forecast. Consumption improved more than expected as well. Thailand GDP was also better than the Street at -1.8% vs -3.9%. Singapore exports fell 5.8% M/M, better than the 16.5% drop expected. China housing prices rose 0.42% M/M, slightly better than the forecast. In the EU, Merkel and Macron will meet today to discuss a new recovery fund for the region.

S&P TECHNICALS



KEY EVENTS**Earnings After the Close:** BIDU, BILI, BVN, IQ, NOAH**Conferences:** JP Morgan Homebuilding, UBS Healthcare**Tomorrow...** Imperial Brands, AAP, DY, EXP, HD, KSS, SINA, WMT, WB earnings before the open; **Analyst Days:** NVS, CCC**ANALYST ACTION/COMMENTS****NVIDIA (NVDA)** upgraded to Buy at BMO Capital**Best Buy (BBY)** upgraded to Buy at Telsey**Choice Hotels (CHH)** upgraded to Buy at Longbow**LPL Financial (LPLA)** upgraded to Buy at Wells Fargo**SVMK** upgraded to Buy at Wells Fargo**Kraft (KHC)** upgraded to Buy at BAML**Eventbrite (EB)** upgraded to Buy at Sun Trust**Energizer (ENR)** upgraded to Buy at MSCO**Regal Beloit (RBC)** upgraded to Buy at Oppenheimer**Cinemark (CNK)** downgraded to Neutral at B Riley**Petrobras (PBR)** downgraded to Neutral at RayJay**Accor** downgraded to Sell from Buy at Goldman**Chegg (CHGG)** downgraded to Neutral at BMO Capital**Raymond James (RJF)** downgraded to Sell at Wells Fargo**Heico (HEI)** downgraded to Neutral at Canaccord**Capri (CPRI)** downgraded to Neutral at Piper**Square (SQ)** downgraded to Neutral at Stephens**Square (SQ), ADP** downgraded to Sell at BAML**Palo Alto (PANW)** downgraded to Neutral at UBS**Plains (PAA)** downgraded to Sell at BAML**Stifel (SF)** downgraded to Sell at Wells FargoGoldman starts **DG, DLTR, OLLI** at Buy, **FIVE, BIG** at Neutral**Arena Pharma (ARNA)** initiated Buy at Jefferies**Front Yard Resi (RESI)** initiated Buy at Credit Suisse**MEDIA HIGHLIGHTS**Infrastructure players should benefit first amid 5G (**SBAC, CCI, AMT**) - Barron's**Gilead (GILD)** to wind down COVID-19 drug trials by the end of May – Reuters**Reliance** in \$870 million **General Atlantic** deal as **Jio Platforms** funding tops \$8 billion – Reuters**Thyssenkrupp** is in talks with International peers on partnership for steel business – Reuters**Total SA (TOT)** calls off plan to buy **Occidental Petroleum's (OXY)** Ghana asset – ReutersDOJ, state AG's likely to file antitrust lawsuits against **Google (GOOGL)** - WSJ**Apple (AAPL), Google (GOOGL)** start to win over Europe to virus-tracking technology – WSJ**SoftBank** may sell major part of **T-Mobile (TMUS)** stake to **Deutsche Telekom** - WSJ**GrubHub (GRUB)** rejects latest **Uber (UBER)** takeover offer of 1.9 UBER shares as talks continue - WSJCoronavirus vaccine front-runners emerge (**MRNA, PFE, JNJ, AZN, SNY**) – WSJ**HSBC, Citi (C)** speeding up digital push – Bloomberg**WeWork's** Valuation Has Dropped to \$2.9 Billion, says Softbank - Bloomberg**TSMC (TSM)** halts new **Huawei** orders after US tightens restrictions – Nikkei**Kraft (KHC)** mulling sale of Australian ops – The Australian**STOCK SPECIFIC NEWS OF NOTE****Wabco (WBC), ZF** receive regulatory approval in China for proposed merger**Legg Mason (LM)** shareholders approve merger with **Franklin Resources (BEN)****Deciphera (DCPH)** announces FDA approval of QINLOCK for treatment of GISTVideo game consumer spending reached \$10.86B in Q1, says NPDP (**ATVI, TTWO, EA**)**J.C. Penney (JCP)** files for Chapter 11 Bankruptcy, secures \$900M in DIP financing**AAPL, WYNN, DIS, Citi/C, AMZN, GM, TSLA** planning to begin re-opening push in next week**Moderna (MRNA)** Positive Interim Phase One Data For Coronavirus Vaccine

PRE-MARKET MOVERS

Moving Higher: SRNE 41%

Moving Lower: IBN -5%

INSIDER TRADING (Form 4 Filings)

Buying: WPC, AON, NLY, AWK, MLM, AXDX, HOG, BECN, PENN, MCV, DSKE, APTS

Selling: SRPT, RPAY, BX, TREE, PGNV, NEM, AMRK, FI, ICPT, THS, ACIA, LDOS, COLL, WEX, QRVO

POTENTIAL SYMPATHY TRADES

OPTION HIGHLIGHTS (Prior Day)

O'Reilly Auto (ORLY) buyers active 330 June \$400 calls \$18 to \$20.40, interesting activity paying up sharply in early trade as IV rises and now up to 1000X paying \$21. ORLY does not really have any other notable open interest, the August \$450 calls have 316 in OI stands out a bit. ORLY shares are in a narrow range here and looking to clear the range and be above all key moving averages, a good trade set-up versus \$375 support. Out of this range shares can make a move back to \$446 highs from the start of the year. ORLY will not report for a while but AAP and AZO both reporting in May. The \$29.9B auto parts retailer has long been a best-in-class name with strong comps and high ROIC while many have felt consolidation is likely in this group. ORLY is trading 20.2X Earnings, 2.9X Sales and 26.7X FCF. ORLY saw some weak sales from a milder Winter and then the stay-at-home orders hurt sales. A significant majority of the demand in the automotive aftermarket is nondiscretionary and the group has tended to perform well in recessionary environments. ORLY has 5,344 stores in 47 states with a DIY / Professional split at 57% and 43%. Total Miles Driven and Ageing Vehicles are two tailwinds in the \$297B aftermarket automotive market with ORLY seeing a \$90-\$100B addressable market. Analysts have an average target of \$410 and short interest low at 1.9% of the float. Wells Fargo raised its target to \$450 on 5/8 hopeful on consumers returning to work and miles driven recovering and views ORLY as the best operator in an attractive/defensive category and sees gradually improving results and more normalized growth in 2021. Cleveland Research out this morning with a positive note on market share gains. RBC raised its target to \$409 saying early Q2 looks showing better comps thanks to its leading market position and geographic exposure. Hedge Fund ownership rose 2.45% in Q4 filings, D1 Capital, Akre, Viking Global and Broad Run all top concentrated holders.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.72	Declining
VIX Curve	Contango	Normal
CNN Fear & Greed Index	39	Fear
NYMO	-23.26	Neutral/Negative
McClellan Summation	79.01	Near Bearish 8-EMA cross
Lipper Fund Flows	-\$2.5B	3 rd Straight Week of Outflows
Univ. of Michigan Consumer Sentiment	73.7 (May Prelim)	-26.3%
NAAIM Exposure Index	57.71	Modest Pullback
AAII Sentiment	50.6% Bears	Extreme

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

Bluebird (BLUE) announced a \$400M offering of stock

TRADE

WEEKLY TECHNICAL BREAKOUT

QLYS:



Qualys (QLYS) shares are consolidating in a bull flag under \$110 after pulling back the 20-day MA and basing after earnings. A breakout targets \$120 in the near-term but QLYS is flagging above a massive weekly breakout that has room to \$125.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Strayer (STRA)

Price: \$165

Valuation: Undervalued

Analysis: STRA is a \$3.6B post-secondary and non-degree education program operator in the US. They have a wide range of programs through some of their individual schools while Capella is a strictly online provider of bachelors, Masters, and doctor degree programs. STRA is coming off a strong quarter with growth in their software development programs while FlexPath continues to be a driver for Capella. STRA has a strong balance sheet with \$500M+ in cash and a credit revolver they haven't needed to draw upon yet.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CAR:



Avis Budget (CAR) shares are coiled near new lows with shares back at April support around \$9.75. A breakdown targets \$5 or lower. MACD has risen back to around zero and rolling over while RSI is weakening after rebounding back to 40.

PAIR TRADE OF THE WEEK

Industry: Rec Vehicles

Long/Short: Long **Camping World (CWH)**, Short **Harley (HOG)**

Analysis: CWH coming off a strong quarter and actually benefitting from the shutdowns and better weather with people looking for outdoor activities in a socially distant manner. HOG faces a lot of headwinds including credit concerns of their base, a slow resumption of production, and shrinking new base of riders.

SMALL CAP TRADE OF THE WEEK

Ruger (RGR) is a \$1B manufacturer of firearms in the US. Shares trade 21X earnings and 2.5X sales with little-to-no debt, a strong cash position, and 4.2X Current Ratio. RGR is coming off a strong quarter with demand for firearms rising as COVID-19 and the ongoing shutdowns spread. FBI background checks have showed 1.5M applicant jump in March/April from 2019.

News Continued

Trump's 'warp speed' timeline on vaccine is unrealistic – WaPo

U.S. mulls paying companies, tax breaks to pull supply chains from China – Reuters

Amazon (AMZN) pledges to work with Congress on antitrust concerns – FT

GM CEO still sees 'huge opportunity' in self-driving unit – Reuters

India watchdog reviewing antitrust allegations against **Facebook's (FB)** WhatsApp – Reuters

Saudi wealth fund boosts U.S. holdings with stakes in **Citi (C), Boeing (BA), Facebook (FB)** – Reuters

Panasonic sees strong demand from Tesla, in talks to expand Nevada battery plant – Reuters

U.S. probes **PerkinElmer's (PKI)** role in massive Medicare fraud – Reuters

China Injects \$2.2 Billion Into Chip-Firm **SMIC** – Bloomberg

Berkshire Sells Majority of **Goldman (GS)** Stake, Trims **JPMorgan (JPM)** – Bloomberg

Tesla's (TSLA) Production Restart Could Ease Path to Inclusion in S&P 500 Index – WSJ

Clovis (CLVS) says FDA approves Rubraca tablets for BRCA mutation-associated mCRPC

Plantronics (PLT) backs Q4 outlook, sees results at high-end of guidance

Biogen (BIIB) says new SPINRAZA data reinforce sustained efficacy, longer-term safety

Sen. Klobuchar calls on Trump administration to block **GrubHub (GRUB), Uber (UBER)** deal

TSMC's (TSM) U.S. fab plan could boost North America server production – DigiTimes

Foxconn, TSMC (TSM) US collaboration 'not impossible' – Digitimes

TPG Capital hoping to profit off **Cirque du Soleil** bankruptcy – NY Post

JAB seeks €2bn shot for coffee business with EU listing – FT

Diageo (DEO) exploring options to delist Indian arm – CNBC

Extras

United Rental (URI) sale 1500 July \$130 calls \$5.70 in a buy-write

Cisco (CSCO) opening seller of 5000 July \$47.50 ITM puts for \$4.60

Mongo-DB (MDB) opening seller 1250 January \$200 puts for \$39.70

Capri (CPRI) opening sale 8500 January \$10 puts \$2.15 to \$2

Arcus Bio (RCUS) unusual 500 June \$40 calls bought \$3.90 to \$4.50 this afternoon, strong close to the week and recent talk of a Gilead stake

Thor (THO) buyer 500 June \$72.5/\$80 call spreads, adjusts out of May \$67.5 calls

IPG Photonic (IPGP) opening sale 300 January \$145 puts for \$22.80

Inovalon (INOV) unusual late day buying of 1975 August \$17.50 calls up to \$1.12

Agilent (A) with 1500 June \$85 calls sold to open for \$2

Moderna (MRNA) spread sold 1500 January \$100 calls at \$10.80 to buy 1000 January \$60 puts at \$15.90, potentially protecting shares after a big run this year on its potential COVID-19 vaccine

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
IGT	Intl Game Tech. PLC	\$0.08	-\$0.02	\$940.00	\$935.49	-17.90%	
MSGE	MSG Entertainment	-\$5.36	-\$4.15	\$199.90	\$36.95	-20.00%	
SE	Sea Limited	-\$0.61	-\$0.29	\$913.90	\$890.94	57.90%	
SOHU	Sohu.com	-\$0.47	-\$0.72	\$436.0	\$427.85		Q2 In Line