

TOP STORIES

- Optimism Over Global Re-Opening Plans Pushes Stocks Higher
- Japan Declares Coronavirus State of Emergency Over
- China to Strengthen Policy, Lower Lending Rates says PBOC
- Germany Set to Ease Social Distancing Rules a Week Earlier than Planned
- ECB's Villeroy says More Stimulus Measures Likely on the Way
- Oil Gains on Optimism Market May Balance in Coming Weeks

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3010.5 (57.5)	59.05
Nasdaq	9580.25 (174)	172.26
Dow	24936 (512)	509.84

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6073.18	1.33%
DAX	11484.69	0.82%
Nikkei	21271.17	2.55%
Hang Seng	23384.66	1.88%

ECONOMIC CALENDAR

9:00	Case-Schiller	0.3%
9:00	Housing Price Index	0.6%
10:00	Consumer Confidence	88.3
10:00	New Home Sales	495k
10:30	Dallas Fed Mfg.	-57.0
1:00	Kashkari Speaks	

FOREX

EUR/USD	1.095 (0.51%)
USD/JPY	107.56 (-0.11%)
USD/CAD	1.387 (-0.82%)
GBP/USD	1.231 (1.03%)

COMMODITY

Oil	34.09 (2.53%)
Natural Gas	1.732 (0.06%)
Gold	1724.4 (-0.64%)
Copper	2.4235 (1.55%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	28.16 (-4.64%)
Nasdaq	VXN	29.36 (-4.46%)
Oil	OVX	84.98 (-4.58%)
Gold	GVZ	18.95 (-4.00%)

MARKET OUTLOOK

Futures indicating a strong open for the morning after a news-heavy weekend. The main focus has been continued re-opening of the world economy with Japan ending its state of emergency, the UK outlining plans to allow retailers to resume operations, Germany lifting travel restrictions, and more signs of normalcy in the US during the busy Memorial Day weekend. We also saw positive sentiment surveys in the EU focused on growth in the back-half of 2020. Stimulus also remains firmly in the forefront with Japan committing to nearly double its aid to \$1.9T while China's PBOC said it would continue efforts to lower rates. Singapore also announced a \$23B package. Eyes now on the EU Commission on Wednesday. Elsewhere, tensions between China and Hong Kong continued with further protests this weekend. Elsewhere, WTI is up 2.5%. Bonds and gold both down around 40-50 bps. The US dollar down 65 bps.

Asian markets rallied this morning as China looks to reassure HK that its judiciary would remain independent under a new security law. China's foreign ministry sought to emphasize that the one country, two systems policy would not change. Japan share hit a 3 month high as PM Abe lifted the state of emergency. The travel stocks soared with **Japan Air** up 8%, **ANA** up 6%, and **West Japan Rail** up 8%. They are also seeking to increase stimulus to near \$1.9T.

European markets are hot as well this morning with many nearing a new 3-month high as more restrictions are being lifted. London eased its travel ban over the weekend which sent airline stocks surging. **Easy Jet** and **IAG** both up as much as 20%. **Lufthansa** was up 5.5% after agreeing to a \$9.8B government bailout. **Renault** and **Peugeot** both up 5% after President Macron said that France will support its auto sector. Shopping center **Klepierre** up 11% as they have nearly hit 100% re-opening in Europe. **Aston Martin** up 37% after appointing a new CEO. Auto parts company **Hella GmbH** up 8.5% after giving their outlook for the year. **Wirecard** was down 2% after delaying their FY results again.

It was a quiet weekend/Monday for **economic data**. Germany's IFO for May was in line with estimates at 78.9 vs 80 while business climate was slightly positive. Taiwan industrial production was 3.5% in April vs 1.1% forecast. Hong Kong trade data also ran a bit better than expected. Singapore GDP was revised higher to -4.7% from -8% as industrial production rebounded 13% in April.

S&P TECHNICALS

A nice range overnight for S&P futures after opening around 2983.75 and then rallying into the EU open. We're forming a bull flag now on the short-term chart between 3,015 and 3,005 with the overnight VWAP just below at 3,004 and rising. VWAP from Sunday's open is down at 2990.50. On the daily, we're breaking out of a small flag above 2976.50 and through the 200-EMA finally at 2997.



KEY EVENTS**Earnings After the Close:** HEI, KEYS, VSAT**Conferences:** Deutsche Bank Financial Services, Keybank Industrial/Materials, Cowen TMT**Tomorrow...** BMO, PLAB, RL, RY, VIPS**Conferences:** Deutsche Bank Financial Services, Keybank Industrial/Materials, Cowen TMT, Oppenheimer MedTech, TD Securities TMT, RBC Data Center and Connectivity, RBC Consumer Retail**ANALYST ACTION/COMMENTS****Lyondell (LYB)** upgraded to Buy at Deutsche Bank**Regeneron (REGN)** upgraded to Buy at Wells Fargo**Take-Two (TTWO)** upgraded to Buy at BMO Capital**HP Enterprise (HPE)** upgraded to Neutral at JP Morgan**I Robot (IRBT)** upgraded to Neutral at JP Morgan**Axcelis (ACLS)** upgraded to Buy at B Riley**Cree (CREE)** upgraded to Buy at JMP Securities**JB Hunt (JBHT)** upgraded to Buy at Baird**Fly Leasing (FLY)** upgraded to Buy at JP Morgan**Williams Sonoma (WSM)** upgraded to Buy at Telsey**Seattle Genetics (SGEN)** upgraded to Conviction Buy at Goldman Sachs, \$246 PT**Gilead (GILD)** upgraded to Hold at Sun Trust**Trane (TT)** upgraded to Buy at BAML**Boise Cascade (BCC)** upgraded to Buy at BAML**Rockwell Automation (ROK)** upgraded to Buy at BAML**Ametek (AME)** upgraded to Buy at BAML**Scotts Miracle (SMG)** downgraded to Neutral at RayJay**Incyte (INCY)** removed from Conviction Buy List at Goldman Sachs, rated Buy**IPG Photonics (IPGP)** downgraded to Neutral at RayJay**Ollie's (OLLI)** downgraded to Neutral at Credit Suisse**HD Supply (HDS), Eaton (ETN), Rexnord (RXN)** downgraded to Neutral at BAML**MEDIA HIGHLIGHTS**Germany, **Lufthansa** agree on \$9.8B bailout – WSJTrump may form panel to review complaints of online bias (**TWTR, SNAP, FB**) - WSJWHO's hydroxychloroquine trial suspended pending safety data (**MYL, TEVA**) - BloombergIntesa to give preliminary green light to \$6.9B state-backed loan for **Fiat (FCAU)** - Reuters**Bayer** says it makes progress in settlement talks over weedkiller – Reuters

U.S. accuses China of blocking flights – Reuters

AXA to pay out to restaurants after court ruling – ReutersNIH says **Gilead (GILD)** drug works best in COVID patients on oxygen – Reuters**Tencent** to invest \$70B in technology infrastructure over 5 years – Reuters**Siemens** to keep 45% in Energy Co after spin-off – ReutersLatin America's largest airline **LATAM (LTM)** files for U.S. bankruptcy protection – ReutersU.S. probes soaring beef prices (**TSN, SAFM, PPC**) – Politico

EU watchdog hopeful most banks can absorb €380B pandemic hit – FT

Goldman Sachs (GS) ramps up cash management plans despite coronavirus – FT**HSBC** board rethinks overhaul and seeks even sharper cuts including sale of US business – FT

US shale industry braces for wave of bankruptcies – FT

Merck (MRK) aims to test two different COVID-19 vaccine candidates this year – STAT News**STOCK SPECIFIC NEWS OF NOTE****Aurinia Pharmaceuticals (AUPH)** completes submission of NDA to FDA for voclosporin**KKR** acquires majority stake in Etche France**Novavax (NVAX)** initiates Phase 1/2 clinical trial of COVID-19 vaccine**Sanofi (SNY)** will sell its equity stake in **Regeneron (REGN)**; REGN will buy \$5B in shares**Argenx (ARGX)** announces positive Phase 3 results for ADAPT trial in gMg

PRE-MARKET MOVERS

Moving Higher: ARGX 27.5%, NVAX 20%, DOYU 13.5%, SAVE 10%, CCL 9.5%

Moving Lower: ZM -1.5%, TLT -1.2%

INSIDER TRADING (Form 4 Filings)

Buying: MBIO, CBTX, NP, ARNC, CDEV, WPC

Selling: CDLX, TWST, FND, QDEL, BYND, NVTA, WMT, TWLO, AMK, REGN, POWI

POTENTIAL SYMPATHY TRADES

ALXN, BMRN, BLUE, RARE, QURE, GBT, FATE – on REGN/SNY sale boosting M&A speculation

ORLY, AAP – on AZO results

OPTION HIGHLIGHTS (Prior Day)

Robert Half (RHI) buyers of 4,000 September \$50 puts this morning for \$6.50, sizable trade in the name that sees little activity and today's flows around 50X average. RHI does have some smaller June \$40 and \$45 short puts in OI. Shares have rebounded back to the 50% retracement of the fall from the December highs, name that peaked before many and has bounced with less strength. RHI is near the high-end of the recent rising channel with a move under \$45 key for a breakdown and potential return to the lower volume node at \$35. RHI has been in a longer-term downtrend since early 2018 with a series of lower highs and lower lows and \$50/\$55 area is significant area of supply. The \$5.49B company trades 15.9X earnings, 0.90X sales, and 17.8X FCF with a 2.8% yield. RHI is one of the largest professional staffing services companies in the US and likely faces pressure from the economic slowdown and expected slow pace of hiring as business ramp back up but keep capacity and headcount lower. RHI has a lot of exposure to more traditional office services as well like admin support which could be permanently impaired as Work-from-Home becomes more prevalent in a post-COVID world. Analysts have an average target for shares of \$54. CSFB upgraded to Neutral on 5-21 citing a weak risk/reward as jobless claims peak. BMO with \$53 PT in April but noting that it's most profitable segment, permanent staffing, will likely fair the worst due to COVID-19. They also noted recently that checks show a recovery in hiring will take a significant amount of time and RHI may not regain 2019 operating levels until 2023. CL King lowering their PT in April to \$60 as an already sluggish economic situation was amplified by COVID-19. They expect global hiring to lag the recovery as well. Goldman recommending to sell shares of RHI on 4-6 as their largest segment temporary staffing is most at-risk during COVID-19. Short interest is 7.5%, high vs. 3-year average. Hedge fund ownership fell 3% in Q1.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.67	Falling
VIX Curve	Contango	Normal
CNN Fear & Greed Index	50	Neutral
NYMO	31.37	Positive/Neutral
McClellan Summation	196.56	Above 8-EMA
Lipper Fund Flows	-\$4.9B	Fourth Straight Week of Outflows
Univ. of Michigan Consumer Sentiment	73.7	-26.3%
NAAIM Exposure Index	63.22	Strong
AAII Sentiment	45% Bears	Above Long-Term Average

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

PETQ:



PetIQ (PETQ) shares are consolidating in a nice bull flag above cloud support and its major moving averages. PETQ held the rising 8-day on Friday and a breakout above \$30 has a room up to \$35.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Ring Central (RNG)

Price: \$261.5

Valuation: Undervalued

Analysis: RNG has run a lot recently but remains cheap in a post-COVID perspective with work-from-home likely becoming a larger for longer idea. RNG is benefiting from the shift away from legacy on-premise communications systems while a handful of new product launches in Q1 will set them up for greater adoption in the 2H of the year. RNG is seeing predictably better deal activity but some conservative guidance as they wait to see how the 2H will set up which presents an opportunity.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

VNO:



Vornado (VNO) shares are consolidating in a multi-week bear flag with a series of lower highs after being rejected at the falling 50-day. VNO has trend support around \$30 and a big measured move to \$20.

PAIR TRADE OF THE WEEK

Industry: Education

Long/Short: Long **2U (TWOU)**, Short **Grand Canyon Education (LOPE)**

Analysis: TWOU is a big beneficiary of increased demand for online education in the Fall as a result of the pandemic. They're rolling out new products and expanding into new contracts with major universities like NYU which highlights their growing undergrad opportunity. LOPE has continued to face allegations of unlawful, misleading recruiting practices while their push to become a nonprofit has repeatedly been rejected which weighs on sentiment.

SMALL CAP TRADE OF THE WEEK

Innovative Industrial (IIPR) is a \$1.37B REIT that focuses on the cannabis space with leased properties to state-sanctioned and licensed operators. IIPR has seen a lot of insider buying lately including from the executive chairman and other directors around \$60-\$70. The space has been under pressure for much of the last year but big potential with the recent NY comments on getting a deal done in 2020 despite the challenges of COVID-19.

Weekend News

Amazon (AMZN) Lost Share to **Target (TGT)**, **Walmart (WMT)** During Pandemic but Now Angles to Grab Back Customers – NYT

Wyndham Hotels (WH) Now Operating Near 50% Occupancy – Bloomberg

Amazon (AMZN) Prime Air Seen Surging Fivefold to 200 Jets, Rivaling **UPS** – Bloomberg

Scared Americans Desperate to Travel Are Buying Up 'Covid Campers' (**THO, CWH, WGO**) – Bloomberg

Credit Suisse (CS) CEO Says Will Need Fewer Employees Post Crisis

Dropbox (DBX) positive mention in Barron's

Day Trading Has Replaced Sports Betting as America's Pastime. Barron's

Value Stocks Looking Increasingly Compelling. Barron's

Mom and Pop Retailers Are Struggling During the Lockdowns. Big Box Giants Are Thriving. (**WMT, HD, LOW, TGT**) – Barron's

Warner Music seeks \$13B valuation in Nasdaq debut – Reuters

JDE Peet's IPO values coffee maker at up to \$17.5B – Reuters

Rental-Car Company **Hertz (HTZ)** Files for Bankruptcy – WSJ

Off-Price Retailer **Tuesday Morning** Preparing Bankruptcy Filing – WSJ

The Sports Comeback Has Begun – WSJ

Nevada Aims to Reopen Casinos June 4 (**MGM, LVS, WYNN, CZR, BYD, RRR, VICI, ERI**) – WSJ

Johnson to reduce **Huawei's** role in Britain's 5G network – Telegraph

Companies line up to sell stock as US IPO market reopens (**ICE, NDAQ**) – FT

US oil production drop steeper than expected – FT

Trump expected to broaden foreign worker bans (**CTSH, INFY**) – Politico

Huawei, Xiaomi roll out cheaper 5G phones in China – Digitimes

Casino losses mount as virus hits Asia's entertainment palaces (**MLCO**) – Nikkei

Global 1Q20 NAND flash market posts 8% growth, says DRAMeXchange (**MU, WDC, STX**)

EU commercial vehicle registrations down 67.0% in March (**PCAR, CMI, NAV**)

Extras

Deciphera (DCPH) with 1,000 October \$45 puts bought \$3.90 to \$4.30

Expedia (EXPE) with 1,000 July \$65 puts sold to open for \$3.10

Fore-Scout (FSCT) late day buyer of the July \$22.50/\$17.50 put ratio spread 2,500X5,000

Louisiana Pacific (LPX) with a buyer of 1,100 August \$24 calls for \$2

Toll Brothers (TOL) buyer of 1,000 September \$30 calls for \$3.50

Vornado Realty Trust (VNO) on Friday with buyers of 5,000 September \$30 puts up to \$2.70 and then later 5,000 July \$30 puts bought up to \$1.60. VNO traded over 48X average volume. VNO has seen buyers in the June \$35 and July \$35 puts earlier in the week while the June \$30 puts bought over 1000X on 5/13. The \$6.83B REIT trades 1.1X book, 4.3X cash and 11.4X 2020 FFO. Their weighted-average debt maturity is around 3 years. VNO has a big yield, over 7%, and Baa2/BBB rated on their debt with some risk to longer-term rating with concerns over rent. VNO is one of the largest commercial real-estate landlords in the US with a heavy concentration on NYC, although they also have some assets in Chicago and San Francisco. They also own retail properties including several on Fifth Avenue, Madison Avenue, and in Union Square. VNO faces risks from COVID-19 as commercial lessors either renegotiate rents or skip payments altogether and they could occupancy rates fall over the next 12 months. They reported 83% of rent paid in April with 53% of retail tenants up-to-date. The pandemic also hit during a time where VNO was engaged in a massive development project in midtown Manhattan as well as a multitude of supply coming online from peers. Longer-term, the pandemic likely alters the commercial real estate market permanently with work-from-anywhere being adopted by more companies. VNO relies on growth in NYC's population, growth in International visa approvals, and growth in VC funding and placement all of which are at-risk if sentiment moves away from large urban centers. Analysts have an average target for shares of \$57.50. Stifel moving to Sell on 5-5. They have a \$35 PT and the analyst notes that they are facing too many challenges in the near and long term, recommending a dividend cut as his reduced FY20 FFO estimate may not cover the payout. The firm also notes weak lease economics are set to worsen and its Manhattan office fundamentals are set to deteriorate "materially". Short interest is 4.8% and up from 1.5% in December. Hedge fund ownership rose 0.66% in Q1. Long Pond Capital a top holder but sold nearly 30% of their stake. Land & Buildings a recent short position. On 3/30, a director bought \$497,113 in stock at \$48.74. On Friday, we also saw buyers in **Boston Properties (BXP)** of 5,000 October \$60 puts for \$3.50, a similar name to VNO. They are the largest developer of Class-A office properties in the US with Boston, LA, NY, San Francisco, and DC their focus.

Earnings Preview

Workday (WDAY) will report earnings on 5/27 after the close with the Street looking for \$0.47 on \$1B in revenue. Next quarter is guided to \$0.51/\$1.05B while the FY is at \$2.10/\$4.27B. Shares have closed lower in six of the last eight with an average closing move of 4.6%. The current implied move is 6.75%. The \$38.4B company trades 19.75X cash and 10.7X EV/sales with mid-teens growth. WDAY sold off in March with concerns over small-business exposure and potential for contract cancellations or project delays. In fact, IBM noted seeing delays in Workday projects in Q2 on their call in late April. There has been talk however of two major new deals signed in Q1 in telco and manufacturing while International is expected to remain somewhat more resilient. Analysts have an average target for shares of \$195.25. OTR Global and Cleveland Research downgrading to Neutral last week with checks showing a slow start to FY21. RBC lowering their PT to \$194 noting that the intermediate trends for Workday are still "challenged" with longer sales cycles, but he sees gradual recovery for the company beginning with Q3 and leading to healthier trends in Q4. Rosenblatt starting at Sell on 5-4, \$110 PT. Their industry checks indicate large-scale human capital management deployment is becoming a lower priority among large organizations. As such, Workday's overall growth could lag the industry when the IT spending resumes.

CSFB with a \$175 PT on 5-18 noting that they remain skeptical of the reacceleration thesis - in particular, there's potential for larger disruptions to the FINS+ growth narrative in a tougher macro. BAML positive on 5-21 with a \$170 PT. Their checks with partners note stable churn rates and no customers have renegotiated down contracts, though it remains a risk. WDAY has been relatively resilient vs competitors ORCL/SAP, given lower exposure to highly impacted industries and SMBs. Short interest is 2.4% and steadily decreasing since 2018 when it was 7%. Hedge fund ownership rose 10.34% in Q1. Viking Global, Tiger Global, and Bares Capital all notable buyers. In December, a director bought \$1.645M in stock at \$164.54.

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
AMWD	American Woodmark	\$1.33	\$1.51	\$399.20	\$373.28	-2.00%	
PLAN	Anaplan		-\$0.14		\$100.59		
AZO	AutoZone	\$14.39	\$13.19	\$2,779.00	\$2,646.90	-0.10%	
BNS	Bank of Nova Scotia	\$1.04	\$0.95	\$7,956.00	\$7,869.27	2.00%	
BAH	Booz Allen Hamilton	\$0.73	\$0.71	\$1,970.00	\$1,950.57	10.70%	FY In Line
DOYU	DouYu	\$0.95	\$0.60	\$2,278.00	\$2,116.87	53.00%	FY In Line
HIBB	Hibbett Sporting	\$0.31	\$0.43	\$269.80	\$211.45	-21.40%	