

TOP STORIES

- Global Bond Yields Dive, Recession Fears Rise
- China Strikes Back at US in Trade War, Using Rare Earths
- China CDS Moves to 4 Month Highs on Trade Fears
- Oil Falls on Rising US Stockpile Worries
- Mortgage Applications Fall 3.3%

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2802.4 (-15.75)	2803 (-2)
Nasdaq	7239 (-56.25)	7284.4 (-10.9)
Dow	25221 (-148)	25345.8 (-23)

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7174	-1.3%
DAX	11889.7	-1.15%
Nikkei	21003.4	-1.2%
Hang Seng	27235.7	-0.57%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10am	Richmond Fed Survey	6
1pm	7 Year Note Auction	
5:30pm	API Crude Oil	

FOREX

EUR/USD	1.1157 (-)
USD/JPY	109.34 (-)
USD/CAD	1.3506 (0.1%)
GBP/USD	1.2646 (-0.05%)

COMMODITY

Oil	58 (-2%)
Natural Gas	2.623 (1.5%)
Gold	1283.2 (0.48%)
Copper	2.6655 (-1.1%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	17.5 (10.4%)
Nasdaq	VXN	21.83 (5.82%)
Oil	OVX	34.36 (3.53%)
Gold	GVZ	9.2 (2.22%)

MARKET OUTLOOK

Equity markets moved lower overnight as the US/China trade spat ratcheted up with China ready to use rare earth materials to strike back at the US. Also, Huawei challenged the legality of the US defense bill. China CDS rose to 4 month highs. Bonds continue to rise globally with yields lower and inversion taking place sending recession signals amid the rising trade tensions. Spanish and Portuguese Bonds hit all-time low and German bund yields moved more negative. **In Asia**, stock are moving lower on trade fears as well and the Japanese Yen firmed to a two-week high versus the USD as investors fled for safe-haven assets, a global wave of risk aversion sending sovereign bond yields tumbling across the World.

Oil is lower by more than 2% this morning on global growth slowing concerns and despite reports Russia is carefully considering extending its oil output reduction agreement with OPEC. Rising US crude stockpiles climbing at the quickest pace since 2016 are fueling the volatility in the oil market. Soft commodities like Soybeans, Corn, Wheat and Oats are showing major strength for a second straight day.

The schedule is very light yet again today and tomorrow and Friday will see the bulk of meaningful data.

A notable call today, **Roku (ROKU)** with its target raised to \$120 from \$85 at Needham noting its strategic advantage as an OTT aggregation platform and its 27M active users, revenue optionality from the new subscription video on demand services, and “unduplicatable” premium digital-TV advertising scale. It sees the \$12B market cap as small enough that ROKU can still be an acquisition target.

S&P TECHNICALS

Levels: Support 2,800/2,750; Resistance 2,900/2,950



KEY EVENTS TO WATCH

Earnings AMC: UHAL, DSGX, KEYS, PANW, PVH, QADA, SMTC, TLYS, VEEV, VRNT

Conferences: Bernstein Strategic Decisions (DPZ, RRC, SYI, JPM, ANTM, NXPI, APD, MMM, ALB, CNC, MS, GE, TTWO, CF, BA, DOW, MDLZ, KMB, C, EOG, MOS, V, SLCA, TUP, TXN, CLX, AMAT, MCD, BSX, SABR, CGNX, HD, TEL, ICE, AGN, LRCX, WFC, JNJ, AAL, DWDP, STI, ECL, CFG, BIIB, CHRW, SYF, GIS, BAC, HIL, CNI, LMT, ZBRA, GD, YUM, APY, NOC, TPR, EL, CSX, SPGI, HAS, HES, USB, DHR, WMB, CXO, WMT, LVS, MDT, ADI, L, CNA)

Earnings BMO: BITA, BURL, CSIQ, DBI, DG, DLTR, EXPR, JILL, MOV, SAFM, SPWH, TECO, TITN

ANALYST ACTION/COMMENTS

Momo (MOMO) Raised to Buy at Citi, \$40 Target

Flex (FLEX) Raised to Overweight at JPM

Allstate (ALL), Hartford Financial (HIG) Raised to Buy at Goldman Sachs

Rockwell (ROK) Raised to Buy at Gabelli

Granite Construction (GVA) Raised to Buy at Goldman Sachs

Radius (RDUS) Raised to Buy at Goldman

Live-Ramp (RAMP) Raised to Outperform at First Analysis, \$60 Target

Nio (NIO) Cut to Underperform at BAML, \$3 Target

General Mills (GIS) Cut to Sell at Goldman Sachs

Clovis (CLVS), Esperion (ESPR) Cut to Sell a Goldman Sachs

Atlassian (TEAM) Cut to Neutral from Buy at BTIG

Roku (ROKU) Target Raised to \$120 from \$85 at Needham

Palo Alto (PANW) Reportedly Buys **Twistlock** for "Hundreds of Millions of Dollars" - Reuters

MEDIA HIGHLIGHTS

Uber (UBER) Bears Already Snapped Up 70% of Shares Available to Short - Bloomberg

EPA to Scrap Biofuel Market Reform in Bid to Boost Ethanol - Bloomberg

T-Mobile (TMUS), Spring (S) Could Sell Boost for Up to \$3B - Reuters

Boeing (BA) 737 MAX May be Grounded Another 2 Months - WSJ

Arcelor Mittal (MT) Cuts Production Amid Slumping Demand - Bloomberg

Finnish IoT Company **Uros**' Sales Soar 171% Last Year - Reuters

Ericsson (ERIC), Nokia (NOK) Battle to Take Advantage of Huawei Woes - WSJ

Qualcomm (QCOM) Asks US Judge to Put Anti-Trust Ruling on Hold During Appeal - Reuters

STOCK SPECIFIC NEWS OF NOTE

FireEye (FEYE) Acquires Verodin for \$250M Cash and Stock, Accretive in 2020; Cuts FY19 EPS View

Hub Group (HUBG) Authorizes \$100M Buyback

CSX (CSX) Announces Departure of CFO

Edison (EIX) Guides FY19 EPS Well Above Street Estimates

Thermon (THR) Delays Q4 Results, Sees Revenues Above Guidance

Corteva (CTVA) to Join S&P 500; **Fluor (FLR)** to Join S&P 400; **Realogy (RLGY) & Bloomer (BLMN)** to Join S&P 600

58.com (WUBA) Announces \$100M Strategic Investment in UXIN

Morningstar (MORN) to Acquire DBRS for \$669M

Canadian Natural (CNQ) to Acquire Assets of **Devon Energy (DVN) Canada** for C\$3.775B Cash

Energizer (ENR) to Sell Varta Consumer Battery Business for \$401M

Evolent Health (EVH) to Contribute \$70M to Passport Health for 70% Ownership

Amarin (AMRN) Vascepa Accepted for FDA Review, PDUFA 9-28-19

Cara (CARA) Announces Positive Phase 3 Results of KORSUVA

PRE-MARKET MOVERS

Moving Higher: AMRN 7\$, YY 4.8%, REMX 2.6%,
ROKU 1.7%, BYND 1.5%

Moving Lower: GOOD -15%, CPRI -10%, SNAP -2.6%,
ERIC -2.5%, RIO -2.3%, DB -2%, STM -1.8%, MU -1.3%

INSIDER TRADING (Form 4 Filings)

Buying: ITGR, BG, PSXP, PSX, CHK, UVE, DSSI, MDT

Selling: MSI, LOVE, CDAY, RGEN, CARG, ICE, CASH,
DUK, G, AYY

POTENTIAL SYMPATHY TRADES

TDG on **HEI** Earnings

PAYC, ADP, ORCL on **WDAY** Earnings

X, NUE, STLD on **MT** Production Cuts

OPTION HIGHLIGHTS (Prior Day)

DexCom (DXCM) large buy of 2,000 January \$100 puts at \$6.60 offer to open, a name with minimal open interest outside of 2,000 June \$110 short puts. DXCM shares are forming a large weekly bear flag with potential to move back to the \$100 level on a breakdown. The \$10.75B maker of glucose monitoring systems has been a strong growth story but faces increasing competition in the space, a name trading 100X Earnings and 8.3X EV/Sales. DXCM has grown revenues 42.6% and 25.3% the last two years with 25% and 18% growth seen this year and next. Analysts have an average target of \$160 on shares and short interest at 5.8% of the float is near a three-year low. DXCM will speak at the William Blair Conference on 6-5. Spruce Point, a short-focused firm, was out negative the name recently seeing it as a risky one-product company facing increased competition and pricing pressures. Piper raised its target to \$173 recently expecting the G7 system to launch next year, but did not the wide gross margin miss. DXCM's Libre 2.0 remains an overhang with approval pending. Hedge Fund ownership fell 7.3% in Q1 filings.

AFTER HOURS MOVERS

Gainers: HEI 7.8%, BLMN 7%, NXGN 4.3%, FEYE 1.8%

Losers: INVH -1.3%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.64	Rising
CBOE Index Put/Call Ratio	0.99	Low
CBOE Skew Index	114.12	Multi-Month Lows
VIX Curve	Contango	Normal
CNN Fear & Greed Index	27	Fear
NYMO	-26.19	Neutral
NYSE Highs/Lows	54.89	Multi-month Lows
McClellan Summation	445.54	Below 8-EMA
Univ. of Michigan Consumer Sentiment	102.4 (May Prelim.)	15-Year Highs

SMART MONEY (13g/13d Filings)

IPO MONITOR

Blue Hat Interactive (BHAT) issuing 1.8M shares at \$4; Producer, developer and operator of augmented reality interactive entertainment games and toys in China

TRADE

WEEKLY TECHNICAL BREAKOUT

AXP:



American Express (AXP) shares looking for a break above recent highs and have ridden the 21 day MA higher showing impressive relative strength.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Jazz Pharma (JAZZ)

Price: \$136.75

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	7.85X	4X	2.9X	7.7X	9.6X
Industry Avg.					

Analysis: The \$7.8B Biotech is coming off a 2nd straight strong quarter and continues to trade at a steep discount to the market and peers. JAZZ posted 14.3% Y/Y revenue growth last quarter and has potential in its pipeline with it set to present at ASCO next week. JAZZ's top product Xylem continues to exceed estimates and has a large and durable market.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

NCLH:



Norwegian Cruise (NCLH) shares putting in a topping pattern and starting to break key support with room to fall back towards the 200 day MA near \$52.

PAIR TRADE OF THE WEEK

Industry: Recreational Vehicles

Long/Short: Long Polaris (PII) / Short REV Group (REVG)

Analysis: PII shares have been beaten up on China fears but the company sets up well at historically cheap valuation into a strong product cycle launch. REVG is a struggling specialty vehicle name seeing minimal growth and is over-leveraged.

SMALL CAP TRADE OF THE WEEK

iCAD (ICAD) is a \$100M maker of image analysis and radiation therapy products with estimates calling for accelerating growth each quarter this year with 17.5% total revenue growth. Shares are also setting up strong on the char breaking out of a large pattern that measures to 30% near-term upside.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
CymaBay (CBAY)	TransDigm (TDG)	Teva (TEVA)
Cytokinetics (CYTK)	Buckle (BKE)	Sprint (S)
Anaplan (PLAN)	DocuSign (DOCU)	Bed Bath (BBBY)
Saudi Arabia (KSA)	Helmerich (HP)	Constellation (STZ)
Caleres (CAL)	DexCom (DXCM)	Yandex (YNDX)
SeaWorld (SEAS)	Herbalife (HLF)	Enphase (ENPH)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Shutterfly (SFLY)	Ameritrade (AMTD)	Momo (MOMO)
Zynga (ZNGA)	Ferrari (RACE)	Nio (NIO)
Cypress (CY)	Dell (DELL)	Jumia (JMIA)
Nielsen (NLSN)	Anadarko (APC)	GameStop (GME)
Array (ARRY)	Illinois Tool (ITW)	Tiffany (TIF)
Nektar (NKTR)	Schwab (SCHW)	Foot Locker (FL)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Nielsen (NLSN)	DexCom (DXCM)	Savara (SVRA)
Halliburton (HAL)	AK Steel (AKS)	Intra Cellular (ITCI)
IQIYI (IQ)	Snap (SNAP)	Assembly Bio (ASMB)
Allergan (AGN)	US Steel (X)	Jumia (JMIA)
Coty (COTY)	Teva (TEVA)	Athenex (ATNX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
AMD (AMD)	Micron (MU)	Ball (BLL)
Intel (INTC)	Roku (ROKU)	Buckle (BKE)
Halliburton (HAL)	Microsoft (MSFT)	BioMarin (BMRN)
Square (SQ)	Apple (AAPL)	SeaWorld (SEAS)
PayPal (PYPL)	Uber (UBER)	Greece (GREK)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Ambarella (AMBA)	DocuSign (DOCU)	HAL, July \$25/\$20 Bull R/R, 5000X
NovoCure (NVCR)	Hess (HES)	PLAN, Aug to Nov. Call Roll, 2000X
Salesforce (CRM)	DexCom (DXCM)	INTC, Aug \$46/\$50 Call Spread, 13000X
Allergan (AGN)	Target (TGT)	AMZN, July \$1940/\$1950 Call Spread, 2800X
Kraft (KHC)	Illinois Tool (ITW)	MU, Oct \$30/\$25 Put Spread, 7300X

Extras

Valero (VLO) late day buyers of 1,290 September \$75 puts \$5.35 to \$5.45 with shares closing weak

Five-9 (FIVN) IV rose sharply late day with June \$55 calls hot as 1,945 traded on the day \$1.15 to \$1.40

Cyber-Ark (CYBR) opening sale of 400 October \$125 puts for \$8.30

Hershey (HSY) with the October \$125/\$105 ratio put spread opening 500X1000

Tetra Teck (TTEK) unusual afternoon buys of 300 December \$70 calls \$4.30 to \$4.50, shares flagging

Upwork (UPWK) with over 2,000 July \$15 puts bought \$1.10 to \$1.20 in the afternoon as IV surged higher

Gates Industrial (GTES) IV surged higher in the afternoon with 2,000 July \$12.50 puts opening \$1.10 to \$1.15

Mosaic (MOS) afternoon buyers of 1,000 January \$22 calls \$2.10 to \$2.14 and the January 2021 \$30 calls with 2,300X bought near \$1.27

Event-Brite (EB) late day IV surge as 1,225 July \$17.50 puts opened up to \$2.20

Earnings After Market Close (Tuesday)							
Ticker	Company	EPS Actual	EPS Forecast	Rev Actual	Rev Forecast	YY Growth	Notes
HEI	HEICO	\$0.60	\$0.49	\$515.60	\$480.17	20.00%	Raises View
RAMP	Live Ramp	-\$0.13	-\$0.17	\$78.30	\$76.99	30.10%	FY20 In Line
NXGN	Next-Gen Healthcare	\$0.23	\$0.16	\$134.80	\$133.35	-0.7%%	FY20 EPS Above
WDAY	Workday	\$0.43	\$0.41	\$825.00	\$814.21	33.20%	Raises FY20
YY	YY	\$1.38	\$1.36	\$705.30	\$625.37	47.1%	
CMCO	Columbus McKinnon	\$0.83	\$0.62	\$216.70	\$210.60	1.20%	

Earnings Before Market Open (Wednesday)							
Ticker	Company	EPS Actual	EPS Forecast	Rev Actual	Rev Forecast	YY Growth	Notes
WUBA	58.com	\$0.69	\$0.31	\$449.70	\$435.02	22.50%	
ANF	Abercrombie & Fitch	-\$0.29	-\$0.43	\$734.00	\$730.79	2.00%	Q1 SSS +1%; Q2 Below
BMO	Bank of Montreal	\$2.30	\$2.33	\$5,650.00	\$5,604.00	7.60%	
BZUN	Baozun	\$0.13	\$0.12	\$1,280.00	\$1,276.83	39.70%	
GOOS	Canada Goose	\$0.09	\$0.05	\$156.20	\$159.35	25.20%	FY20 EPS Above, Revenues Below
CPRI	Capri Holdings	\$0.63	\$0.61	\$1,340.00	\$1,327.57	13.90%	Q1 Below Street, Reaffirms FY20
DAKT	Daktronics	-\$0.09	-\$0.01	\$127.80	\$145.16		
DKS	Dick's Sporting Goods	\$0.62	\$0.59	\$1,920.00	\$1,901.89		Raises FY19 EPS; Q1 SSS Flat
HLNE	Hamilton Lane	0.36	0.4	67	67.15	-13.70%	