

**TOP STORIES**

- White House Pushing to Remove Global Supply Chains from China as Trump Claims Coronavirus Cover-Up
- Trump Considering Fresh Tariffs on China
- Berkshire Hathaway Sells Out of Airlines Amid Pandemic
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**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2795 (-26.75)</b>	<b>-27.71</b>
<b>Nasdaq</b>	<b>8644.25 (-73.75)</b>	<b>-61.93</b>
<b>Dow</b>	<b>23338 (-282)</b>	<b>-276.69</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>5754.24</b>	<b>-0.15%</b>
<b>DAX</b>	<b>10508.79</b>	<b>-3.25%</b>
<b>Nikkei</b>	<b>Closed – Holiday</b>	
<b>Hang Seng</b>	<b>23613.8</b>	<b>-4.18%</b>

**ECONOMIC CALENDAR**

Motor Vehicle Sales		
<b>10:00</b>	<b>Factory Orders</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.093 (-0.48%)</b>
<b>USD/JPY</b>	<b>106.83 (-0.10%)</b>
<b>USD/CAD</b>	<b>1.41 (0.11%)</b>
<b>GBP/USD</b>	<b>1.241 (-0.75%)</b>

**COMMODITY**

<b>Oil</b>	<b>18.49 (-6.5%)</b>
<b>Natural Gas</b>	<b>1.956 (3.39%)</b>
<b>Gold</b>	<b>1715.1 (0.84%)</b>
<b>Copper</b>	<b>2.292 (-0.88%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>37.19 (8.9%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>37.76 (7.03%)</b>
<b>Oil</b>	<b>OVX</b>	<b>110.18 (4.95%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>24.25 (0.05%)</b>

**MARKET OUTLOOK**

Futures indicating a lower open to kick off the week, albeit well off the overnight lows. US/China tensions in focus today with POTUS again pushing forward a claim that coronavirus originated in a lab. Sec of State Pompeo said there was 'enormous evidence' it was man-made. The concern now is that the two sides will use the pandemic to reverse nearly all the goodwill from Phase 1 talks earlier in the year. Reuters with a note this morning that the administration is looking to shift supply chains away from the country and may impose new tariffs on Beijing. Elsewhere, as many states re-open for business, early experiences are proving to be underwhelming. The WSJ with a report over the weekend that many businesses in South Carolina have seen few shoppers or diners returning so far. Finally, WTI is down 5% again. Gold and silver both up around 80 bps.

It was a very quiet morning in Asia with both Japan and China closed on separate holidays to start the week. Hong Kong's Hang Seng falling more than 4%. Buy Now-Pay Later company **Afterpay** up 23.5% as **Tencent** took a 5% stake in the company.

European markets are falling to start the week as many returned from Friday holidays. Energy and financials the biggest laggards. **Total** and **Shell** down 7.5% with crude. Autos are lower after Germany announced it was pushing back its decision on a cash for clunkers program. **Thyssenkrupp** down 16.5% after management said that the pandemic could cause a cash squeeze despite the big elevator sale recently. **Renault** and **PSA** down over 3.5% each as French car registrations fell 89% in April. **Roche** higher modestly after getting emergency authorization for their antibody test. **Telefonica** up 3% after confirming talks with **Liberty** on a deal. Aerospace firms are feeling pressure as Warren Buffett sold all their major airline stocks amid the pandemic. **Rolls Royce** down 7.5%, **EasyJet** down 8.5%, **Air France** down 6%, and aerospace engineering firm **GKN** down 6%. Online grocer **Ocado** higher by 4% as Stay-at-Home plays thrived a bit.

It was a quiet morning for economic data. South Korean CPI down 0.6% in April vs down 0.3%. Manufacturing was also down to 41.6 vs 44.2. Eurozone Manufacturing PMI was down to 33.4 vs 33.6 in April. Spanish manufacturing was weak overall but German, Italian and French all beat or met expectations. Eurozone Sentix Investor Confidence fell to -41.8 vs -33.5 for May. Hong Kong GDP was -5.3% for the quarter.

**S&P TECHNICALS**

S&P futures opened weak on Sunday down near 2790 and pulled back slightly to 2771 before rebounding. Overall, a quiet night with the high up around 2814 (Friday's lows) and overnight VWAP at 2793.50. The 20-day MA in focus today to reclaim at 2800.55 while the 4/22 lows at 2717.25 would be a major spot to lose.



**KEY EVENTS**

**Earnings After the Close:** ACHC, ACCO, ALSN, AIG, AWR, ACGL, CAR, AXS, BKH, BWXT, CHGG, CRUS, CORT, FANG, DLB, PLOW, EQC, EVER, EXPE, FN, FIVN, FRPT, HLIO, HTGC, IAG, ICHR, NSP, ITRI, JKHY, KMT, KN, LEG, LMNX, MHK, MOS, MWA, NCMI, OHI, PE, RMBS, O, RBC, REXR, SHAK, SWKS, SYKE, THC, TXRH, TREX, TBI, UNM, VAR, VRNS, VNOM, VNO, WMB, WWD, WH, XPO

**Tomorrow...** EssilorLuxottica, BNP Paribas, Siemens Healthineers, Fiat, Repsol, Campari, HelloFresh, Whitbread, AOS, ADNT, ACM, AER, AGCO, ALK, ATI, AMCX, AME, APTV, ARMK, ARCC, ABG, ATKR, BKI, BMCH, CRI, CTLT, CEQP, DBD, D, DD, DEA, FCAU, GPI, HAE, HE, HSIC, HPP, ITW, INCY, INGR, IPGP, JELD, JLL, KEX, LHX, LANC, LCII, LDOS, TREE, LGIH, LPX, LITE, MNK, MPC, MLM, MDC, MGP, MPLX, NRZ, NEM, NS, PQG, PINC, PRIM, RCM, REGN, SEE, SBSI, SYY, TRI, BLD, TDG, USCR, USFD, VCEL, VST, W, WBT, WRK, XYL

**ANALYST ACTION/COMMENTS**

**Cyrus One (CONE)** upgraded to Buy at Jefferies

**Conoco (COP)** upgraded to Conviction Buy at Goldman

**Big Lots (BIG)** upgraded to Buy at Telsey

**CoreLogic (CLGX)** upgraded to Buy at Compass Point

**Liberty (LBTYA)** upgraded to Neutral at BNP Paribas

**Realty Income (O)** upgraded to Buy at MSCO

**Philips 66 (PSX), Valero (VLO), Holly Frontier (HFC)** upgraded to Buy at Mizuho

**PG&E (PCG)** upgraded to Buy at UBS

**Chevron (CVX)** downgraded to Buy at Goldman Sachs

**Cognizant (CTSH)** downgraded to Neutral at BMO

**Range Resources (RRC)** downgraded to Neutral at MKM

**Lyondell (LYB)** downgraded to Neutral at Scotiabank

**Qualcomm (QCOM)** downgraded to Underweight at Wells

**Sinclair (SBGI)** downgraded to Sell at Wells Fargo

**ST Micro (STM)** downgraded to Neutral at Citi

**Eaton (ETN)** downgraded to Neutral at Stephens

**Disney (DIS)** downgraded to Neutral at MoffettNathanson

**Embraer (ERJ)** downgraded to Neutral at BAML

**Honeywell (HON)** downgraded to Neutral at Deutsche Bank

**UBS** downgraded to Neutral at Berenberg

**MEDIA HIGHLIGHTS**

Trump administration pushing to rip global supply chains from China – Reuters

China Trade Deal Turns From Key Trump Asset to an Albatross – Bloomberg

Oxford researchers expect 'signal' from COVID-19 vaccine by June – Bloomberg

**Tencent** acquires 5% stake in Australia's **Afterpay** - Reuters

**GM** and **SAIC's** China sales rebound in April as market recovers – Reuters

**Mirae Asset** scraps \$5.8 billion deal to buy U.S. hotels from China's **Anbang** – Reuters

Car dealership **Pendragon** no longer exploring merger with **Lookers** – Reuters

**Thyssenkrupp** sees coronavirus cash squeeze despite elevator sale – Reuters

Tourism group **TUI's** China unit resumes domestic holiday offers – Reuters

Hedge Fund Elliott Management to Finance Lawsuit Against Streamer **Quibi** – WSJ

**Silver Lake** to Invest \$750 Million in Indian Tech, Telecom Firm **Jio Platforms** – WSJ

Algeria blocks **Occidental Petroleum's (OXY)** asset sale to **Total (TOT)** – WSJ

**Exxon (XOM)** indefinitely delays \$2B sale of UK oil and gas assets – WSJ

Banks to book more than \$50bn against bad loans – FT

**STOCK SPECIFIC NEWS OF NOTE**

**Telefonica (TEF)** says talks with **Liberty Global (LBTYA)** on U.K. tie-up in negotiation phase

Buffett sold stakes in U.S. airlines with world 'changed' due to COVID-19 (**DAL, JBLU, UAL, LUV**)

**KLX Energy (KLXE), Quintana Energy Services (QES)** to combine in all-stock merger

**IHS Markit (INFO)** acquires Catena Technologies

**J. Crew** files for bankruptcy

**HSBC (HSBC)** to buy remaining 50% stake in life insurance JV in China

**Menarini Group** to acquire **Stemline (STML)** in transaction valued at up to \$677M

**PRE-MARKET MOVERS**

**Moving Higher:**

**Moving Lower:** AAL -14%, UAL -12%, DAL -11%, JBLU -10.9%, SAVE -10%, LUV -10%, JETS -9.9%, NCLH -9%, RCL -8%, CCL -8%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** IMMU, CINF, AGNC

**Selling:** EHTH, EBS, NPTN, MC, DIOD, SHAK, LLNW, ZYXI, CNC, POWI, TNET, GNRC, TRUP, KALU, KAI, INTC

**POTENTIAL SYMPATHY TRADES**

**BA** – lower on Buffett cautious comments on aerospace

**PPC, SAFM** – on TSN earnings

**OPTION HIGHLIGHTS (Prior Day)**

**SmartSheet (SMAR)** with buyers early for 1,500 May \$55 calls up to \$1.65 into weakness and now volumes running over 3,500X, more than 10X average. SMAR has limited open interest but did see some May \$45 calls bought recently while the November \$50 puts sold to open in smaller lots. The August \$50 and \$55 calls also with smaller buys that remain in OI. Shares are flagging in a nice bull flag over the last two weeks just below new highs. A move above \$55 has a measured target to \$61 but a lot of longer-term upside as it clears into some space. The \$6.7B software company trades 15X EV/sales and 11.85X cash with limited debt and a 2.7X Current Ratio. SMAR is guiding to low-30% revenue growth in FY22 and FY23. SMAR is coming off a strong quarter with 58% billings growth and strong dollar-based net retention of 135% which was the highest in four quarters. Average contract size also continues to grow, especially as they add more >\$100k customers. The company provides cloud-based collaboration software for enterprise teams and clearly a beneficiary of the current Work-from-Home policies. They have a deep bench of current clients and likely see more pull-forward in adoption as the return to work is likely more prolonged than expected and more companies adopt looser workplace restrictions going forward. Analyst have an average target for shares of \$49. JP Morgan downgrading to Neutral on 4-23 citing valuation and risk/reward after the recent run. Canaccord with a \$45 PT and likes its strength in its retention and upselling to existing customers. BMO starting at Buy in January as collaborative application software will experience "healthy growth" as digital transformation initiatives proliferate across the enterprise. Short interest is 10% and up from 7% in February. Hedge fund ownership rose 2.85% in Q4. Coatue, Brown Capital and Tremblant all notable buyers.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.75	Highest in Four Years
VIX Curve	Backwardation	Normal
CNN Fear & Greed Index	42	Fear
NYMO	22.11	Fading
McClellan Summation	61.61	Above 8-EMA, Bullish
Lipper Fund Flows	-\$7B	First Outflow in a Month
Univ. of Michigan Consumer Sentiment	71.8	-26.1% Y/Y
NAAIM Exposure Index	78.55	Biggest Jump in Weeks
AAII Sentiment	44% Bears	Majority Bearish

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

**IPO MONITOR**

Nothing Scheduled

**SECONDARY MONITOR**

**Aflac (AFL)** files to sell 52.3M shares of stock for holders

**Virgin Galactic (SPCE)** files to sell 150.5M shares of common stock for holders

## TRADE

### WEEKLY TECHNICAL BREAKOUT

**SE:**



**Sea Limited (SE)** shares are consolidating in a bull flag above the 8-EMA with new highs just above at \$56.50. A breakout targets \$60+ while longer-term range breakout has room to \$65.

### FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Pool Corp (POOL)

**Price:** \$211.5

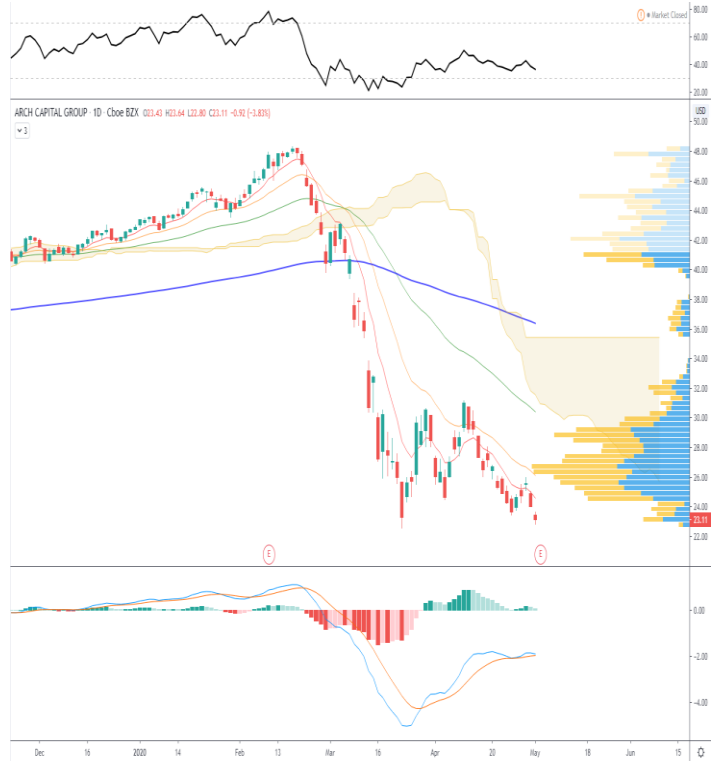
**Valuation:** Undervalued

**Analysis:** POOL is a high-quality name which is setting up not far from new highs. POOL has been a steady operator in recent years despite some weather-challenges and a growing leading in a highly fragmented market. The company could see near-term tailwinds from home improvement initiatives during COVID-19 as well as more people shifting away from public spaces like community pools or beaches. POOL continues to aggressively look at new markets and products to grow.

## IDEAS

### WEEKLY TECHNICAL BREAKDOWN

**ACGL:**



**Arch Capital (ACGL)** shares are nearing a breakdown of a multi-week flag under \$23 with a measured move down to \$27. The 8- and 20-MA have been resistance while slipping under major multi-month support.

### PAIR TRADE OF THE WEEK

**Industry:** Internet Retail

**Long/Short:** Long Etsy (ETSY), Short Revolve Group (RVLV)

**Analysis:** ETSY has been seeing higher user growth and volumes as store closures and lockdown remains in place. RVLV is a clothing company that tailors to millennials and Gen Z with headwinds from major events like SXSW and Coachella canceled while event attendance and entertainment spending also in decline.

### SMALL CAP TRADE OF THE WEEK

**Kadant (KAI)** is a \$964M company that focuses on components used in paper manufacturing, recycling, and waste management, stable businesses with end-market demand during COVID-19. KAI is a sneaky play on growth and demand in the containerboard market, especially w/ ecommerce volumes up, and benefitting from positive commentary from names like PKG.

## Weekend News

**Barron's** positive **MSG, EL, LEVI, ULTA, LULU**; cautious **CVNA**

Barron's: Oil Prices Could Double in Next Year (positive **BP, COP, CVX, EPD, PSX, VLO, WMB**)

Barron's: COVID is Creating a New Debt Crisis (**positive JCI, NTAP, FOX, HPQ**)

**Amazon (AMZN)** circles bankrupt **OneWeb** ahead of rescue bid deadline -Telegraph

A fifth of office space to be ditched in WFH future, forecasters claim – Telegraph

**Bank of America (BAC)** CEO Moynihan: Consumer Spending is Stabilizing, Improving – CNBC

Buffett on why he hasn't made any big investments: 'We don't see anything that attractive' – CNBC

**Rolls-Royce** to cut up to 8,000 jobs as aviation crisis bites – FT

**Roche** wins U.S. nod for COVID-19 antibody test – Reuters

**Intel (INTC)** in talks to buy Israel's Moovit public transit app for \$1 billion – Reuters

Merkel Coalition Signals No Rush on Cash-for-Clunkers Plan – Bloomberg

**Beyond Meat's (BYND)** \$4 Billion Rival Is in Fresh Funding Talks – Bloomberg

House Panel Opens **Carnival (CCL)** Probe Over Cruise Ship Outbreaks – Bloomberg

**NBCUniversal (CMCSA)** Weighs Significant Layoffs at Media, Entertainment Units – WSJ

Construction Work Resumes, But Demand Weakens – WSJ

## Extras

**Emerging Market Bonds (EMB)** the June \$95/\$90 put spread bought 5000X for \$0.91

**Biotech (IBB)** the May \$125/\$118 put spread bought 2000X for \$3.39

**Russell (IWM)** the July \$118/\$100 put spread bought 3000X and the December \$120/\$80 put spread bought 5000X

**Real Estate (IYR)** the May \$70/\$66 put spread bought 15,000X for \$0.65

**S&P (SPY)** the August \$283/\$255 put spread bought 3500X and later the June \$281/\$248 put spread bought 3500X

**Financials (XLF)** the May 22<sup>nd</sup> (W) \$22/\$20.50/\$19 put butterfly bought 13500X27000

**Fair Isaac (FICO)** late day buyers of 500 October \$350 calls for \$35 to \$36

**Darden (DRI)** buyers of 465 October \$85 calls up to \$7.80

**AT&T (T)** with 25,000 May 8<sup>th</sup> (W) \$29.50 puts and 13,000 May 8<sup>th</sup> (W) \$30 puts opening

**Wayfair (W)** the May 22<sup>nd</sup> (W) \$125/\$100 put spread bought 700X for \$10.45 into earnings on 5-5

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CCC	Clarivate Analytics	\$0.07	\$0.09	\$240.60	\$245.31	2.80%	
GATX	GATX		\$1.24		\$310.20		
KELYA	Kelly Services		\$0.21		\$1,247.76		
MCY	Mercury General	\$1.07	\$0.85	\$954.20	\$927.89	4.10%	
NNN	National Retail		\$0.70		\$174.35		
PFGC	Performance Food	\$0.58	\$0.12	\$7,000.70	\$6,990.41	49.30%	
PETS	PetMed Express		\$0.29		\$66.24		
PBI	Pitney Bowes	\$0.05	\$0.07	\$796.30	\$766.85	-8.30%	
SRE	Sempra Energy	\$3.08	\$1.85	\$3,029.00	\$3,235.29	4.50%	
TSN	Tyson Foods		\$1.12		\$11,013.52		
WAB	Wabtec	\$0.97	\$0.95	\$1,929.90	\$2,005.22	21.10%	
WLK	Westlake Chemical	\$1.13	\$0.59	\$1,932.00	\$1,902.14	-4.60%	