

TOP STORIES

- Police, Protestors Clash as Unrest Continues Across US this Weekend
- China, Hong Kong Push Back Against Trump's Trade Threats
- China Manufacturing Rebounds as Economy Shakes Off COVID-19
- Protests Could Set Off Second Wave of Coronavirus, Experts Warn
- German Stimulus Plan Could Be Worth €80B

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3040.75 (-1.25)	-0.56
Nasdaq	9533.5 (-26.75)	-18.03
Dow	25391 (13)	36.89

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6153.88	1.27%
DAX	Closed - Holiday	
Nikkei	22062.39	0.84%
Hang Seng	23732.52	3.36%

ECONOMIC CALENDAR

TIME	EVENT	VALUE
9:45	PMI Manufacturing	39.8
10:00	ISM Manufacturing	42.7
10:00	Construction Spending	-5.5%

FOREX

EUR/USD	1.111 (0.12%)
USD/JPY	107.7 (-0.07%)
USD/CAD	1.371 (-0.43%)
GBP/USD	1.238 (0.28%)

COMMODITY

Oil	35.35 (-0.40%)
Natural Gas	1.748 (-5.5%)
Gold	1744 (-0.45%)
Copper	2.4375 (0.50%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	27.51 (-3.78%)
Nasdaq	VXN	27.96 (-5.80%)
Oil	OVX	69.23 (-5.14%)
Gold	GVZ	18.15 (0.28%)

MARKET OUTLOOK

Futures indicating a flat open for the morning despite a rally in Asia following President Trump's comments on Friday. The retaliatory actions were not nearly as bad as many expected and he continued to commit to the Phase 1 agreement. There was some reporting this weekend that China was slowing the pace of ag buys due to the current tensions. Elsewhere, Germany is set to reveal another big stimulus package which could be worth €80B while South Korea also continuing with aid. In the US, another weekend of protests that descended into chaos. While the rallies themselves don't have a direct impact on markets or sentiment, really, there is a growing concern that they could set off a second wave of COVID-19 in the US much earlier than anticipated. It is also hitting sentiment around some of the economic re-openings in major cities. Finally, pretty quiet for commodities. Gold, bonds and WTI all basically flat. Nat Gas down 5.25%.

Asian markets were mostly positive this morning after Trump's speech on Friday came up light while concerns over COVID-19 continue to fade. The Nikkei hit a 3-month high with **Softbank** up 4% and **Fast Retailing** up 2.2%.

European markets were pretty quiet with Germany, Denmark, Norway and Switzerland on holiday. Miners rallying with **Glencore** up 3.5%. Automakers also showing some strength with **Renault** up 4.5% and **Peugeot** up 3.8%. **Standard Chartered** higher today as well off the Hong Kong / China rally. **Associated British Foods** up 7.5% with Primark re-opening across much of the UK. Italy's **Mediobanca** up 8% after a top shareholder got permission to boost his stake in the company. Fashion designer/brand **Ted Baker** down 10% after an offering to raise cash.

Finally, looking at **economic data**. Macau gaming revenue fell 93% in May as restrictions remained in place. This was better than the 95% decline forecast. China Caixin manufacturing PMI rose to 50.7 in May vs 49.6 forecast. South Korean manufacturing remained sluggish at 38.4. In Europe, EU manufacturing PMI fell to 39.4 vs 39.5. German manufacturing PMI bounced back less than hoped to 36.6 vs 36.8. Italy and France both better than forecast but remain below expansion levels.

S&P TECHNICALS

A wide range for overnight futures after opening slightly weak on Sunday. We gapped down to 3,009 in the early minutes of trading, right around 5-day VWAP, before bouncing quickly and rallying until about 3am or around the EU open. We made a high around 3,055 and just below Friday's close. A big drop around 4am took us back to 3,025 where we held and are now climbing higher again. Overnight VWAP is at 3035. On the daily, the overnight held the 8-EMA again which remain the key line in the sand for now.



KEY EVENTS NEXT WEEK**Earnings After the Close:** ENS, NGL, PUMP**Analyst Days:** RJF**Conferences:** Goldman Travel**Tomorrow...** Earnings from BZUN, CBRL, DKS, DCI**ANALYST ACTION/COMMENTS****Pearson (PSO)** upgraded to Buy at Goldman Sachs**Nokia (NOK)** upgraded to Buy at JP Morgan**Hess Corp (HES)** upgraded to Buy at JP Morgan**Radian (RDN)** upgraded to Buy at B Riley**TE Connectivity (TEL)** upgraded to Buy at Baird**Woodward (WWD)** upgraded to Buy at Barclays**Regal (RBC)** upgraded to Buy at Barclays, \$100 PT**Pioneer Natural (PXD)** upgraded to Buy at Scotiabank**Keurig (KDP)** upgraded to Buy at Evercore ISI**Keysight (KEYS)** upgraded to Buy at JP Morgan**Viavi (VIAV)** upgraded to Buy at JP Morgan**Gap (GPS)** upgraded to Neutral at JP Morgan**Ulta Beauty (ULTA), Estee Lauder (EL)** upgraded to Buy at Piper**Teva (TEVA)** upgraded to Buy at Sun Trust**Sysco (SYY)** upgraded to Buy at Piper Sandler**MacroGenix (MGNX)** upgraded to Buy at Guggenheim**Taubman (TCO)** upgraded to Buy at Piper Sandler**Apergy (APY)** upgraded to Buy at Citi**Abbott Labs (ABT)** downgraded to Sell at Goldman Sachs**HSBC** downgraded to Hold at Jefferies**Vail (MTN)** downgraded to Hold at Deutsche Bank**Cabot (COG), EQT** downgraded to Sell at Stifel**Allogene (ALLO)** downgraded to Hold at RayJay**Becton Dickinson (BDX)** initiated Buy at Goldman**CarMax (KMX)** initiated Buy at JP Morgan, \$105 PTBAML starting **ALL, MET, PGR** at Buy and **AIG** at Neutral**MEDIA HIGHLIGHTS**Barron's positive **CB, HIG, CTRE, MPC, VLO, PSX****Amazon (AMZN)** curbs operations, **Apple (AAPL)** keeps some stores closed - BloombergGermany, EU reach pact on **Lufthansa** bailout - Bloomberg**Airbus** set to reassess output as virus shatters jet demand (**SPR, TGI, BA**) – BloombergBuyout Funds to Take Spanish Phone Company **Masmovil** Private For \$3.3 Billion – Bloomberg**Uber (UBER), Grubhub (GRUB)** Deal Hinges on Breakup Fee After Narrowing Price Gap – Bloomberg**SpaceX** Crew Dragon docks with International Space Station (**TSLA, SPCE**) – Reuters**Embraer (ERJ)** draws foreign interest from China, Russia after Boeing rift – Reuters**Zynga (ZNGA)** to buy Peak for \$1.8B – Bloomberg**Samsung** to add new memory chip line in South Korea as COVID-19 boosts demand – ReutersWealthy Fliers Worried About Coronavirus Turn to Private Jet Service **NetJets (BRK.B)** – NYT**Netflix (NFLX)** to Buy Egyptian Theatre – Variety

Semiconductor Industry to Lobby for Billions to Boost U.S. Manufacturing – WSJ

Sony (SNE) on track for PS5 launch despite supply-chain challenges, hosting 6/4 event – FT**STOCK SPECIFIC NEWS OF NOTE****Red Robin (RRGB)** prelim. Q1 Below Street, saw sequential improvement in early May**Pfizer (PFE)** reports Phase 3 PALLAS Ibrance trial unlikely to meet endpoint**General Dynamics (GD)** awarded \$3.42B Army contract**Alexion (ALXN), Amgen (AMGN)** reach settlement deal on patent challenge**Coty (COTY)** to sell majority stake in brands to KKR at \$4.3B valuation; KKR buys \$1B stake in COTY**Target (TGT)** temporarily closing or shortening hours at 200 stores in wake of protests**Occidental (OXY)** cuts dividend to 1c from 11c**Evolent (EVH)** comes up empty on Kentucky Medicaid contract again

PRE-MARKET MOVERS

Moving Higher: SPCE 8.5%

Moving Lower: PFE -5%

INSIDER TRADING (Form 4 Filings)

Buying: LYRA, LQDT, DMTK, OPK

Selling: LOGI, POWI, ARES, UBER, MC, NVDA, REGI, CHDN, MORN, DHR, BILL, PGNV

POTENTIAL SYMPATHY TRADES

SPCE, MAXR - on shuttle launch success

MGM, LVS, MLCO, WYNN – on Macau data

GLUU – on ZNGA's Peak deal

OPTION HIGHLIGHTS (Prior Day)

GDS Holdings (GDS) bullish flows accumulating in the last week including 1,000 December \$55 calls bought on 5/22 for \$8.50 to \$8.60, over 1,850 July \$60 calls bought on 5/26, and yesterday 2,000 September \$55 calls bought for \$5.90 as some June calls adjusted. Today, we're seeing 1,150 June \$55 calls bought earlier in the year close and roll out to the September \$60 calls for \$3.75, spot where 1900 were bought recently and GDS still has bullish open interest in the September \$65 calls as well. GDS shares have pulled back with concerns over the China delisting scenario this week and back around trend support from the March lows. The rising channel has a measured move up to \$65+ while the 200-MA is significant support down around \$51. GDS has held up much better than others in 2020 and flagging on the weekly under \$65 with a breakout extending the bull trend up to \$80. The \$9.06B company trades 11X cash and expectations to ramp profitability in FY21 and FY22. GDS projects mid-30% revenue growth as well and raised long-term estimates in April citing tailwinds from growing data usage in the region. GDS is a leader in China's expanding data center market with significant scale advantage and a carrier-neutral position which allows them to grow their partnership base. In Q1 they added commitments for more than 286k sqm, up 43% Y/Y, while active on the construction side adding capacity. Analysts have an average target for shares of \$64. Goldman starting at Buy on 4-21 citing new projects and more favorable regulatory policies as catalysts. Short interest is 9.5% and basically unchanged since August 2018. Hedge fund ownership rose 10.7% in Q1. Carmignac Gestion a buyer of 1.49M shares.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.60	Falling
VIX Curve	Contango	Normal
CNN Fear & Greed Index	54	Neutral
NYMO	47.22	Slight Overbought
McClellan Summation	445.14	Above 8-EMA
Lipper Fund Flows	-\$2.9B	More Outflows
Univ. of Michigan Consumer Sentiment	73.7	-26.3%
NAAIM Exposure Index	81.65	Highest Since February
AAII Sentiment	42.1% Bears	Above Long-Term Average

SMART MONEY (13g/13d Filings)

IPO MONITOR

Warner Music (WMG) issuing 70M shares at \$23-\$26; One of the world's leading music entertainment companies

Zoom Info Tech (ZI) issuing 44.5M shares at \$16-\$18; Provider of a go to market cloud software platform for sales and marketing teams

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

INTC:



Intel (INTC) shares forming a small bull flag above the prior weekly range at \$60 with a run higher targeting the Feb. peak near \$70. The 8-EMA was supportive last week while YTD value-area high is just above.

FUNDAMENTAL TRADE OF THE WEEK

Stock: MKS Instruments (MKSI)

Price: \$105

Valuation: Undervalued

Analysis: MKSI is a \$5.8B company that provides instruments and control solutions to monitor and analyze manufacturing processes. MKS should benefit as semiconductor companies begin to ramp production again while wafer fab spending from large played like Taiwan Semi (TSM) is also a positive.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

KTB



Kontoor (KTB) shares forming a bear flag just above the April lows with a breakdown under \$14 targeting a short-term move to \$12 and then \$10. The 8- and 20-EMA both sloping down and a series of lower highs since mid-March, big divergence with the SPX.

PAIR TRADE OF THE WEEK

Industry: Snacks

Long/Short: Long Pepsi (PEP), Short Coke (KO)

Analysis: PEP and KO are probably more even on the beverage side of the ledger but prefer the former given its exposure to snack foods, especially during quarantine, as well as its lesser exposure to on-premise sales from restaurants which will be impaired for some time.

SMALL CAP TRADE OF THE WEEK

Endava (DAVA) is a \$2.6B software company based out of the UK that focuses on digital transformation consulting and automated solutions for businesses. DAVA is coming off a strong quarter despite some COVID-19 uncertainties. They see strong near-term demand for their agile delivery model which has helped companies pivot quickly into new capabilities such as meeting goals/deadlines despite headcount reductions.

Extras

Bilibili (BILI) with 1,000 January \$25 puts sold for \$2.90 to open

Costco (COST) large buyer of 2,000 January \$310 calls for \$22

Herbalife (HLF) afternoon buyers of 1,400 November \$27.50 puts for \$1.25

Mosaic (MOS) with 1,500 July \$12 puts bought up to \$1.08

Moderna (MRNA) strong close and 1,000 January 2022 \$100 calls bought this afternoon from \$16.80 to \$17.50, over \$1.95M

Performance Food (PFGC) with 1,000 June \$30 puts sold to open late for \$4.30 to \$4.00

Esperion (ESPR) with buyers of 750 September \$50 calls for \$3.80 to \$4

Glaukos (GKOS) buyer of 500 June \$40 calls for \$2.05

Transdigm (TDG) with 375 June \$400 puts bought from \$13 to \$13.30

Veeva Systems (VEEV) buyer of 600 January \$240 calls for \$17.30

Zoetis (ZTS) with 500 January \$135 puts sold to open from \$12.20 to \$11.70

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
ATHM	Autohome	\$0.76	\$0.75	\$218.40	\$217.99	-9.00%	
ERJ	Embraer SA	-\$0.57	-\$0.35	\$633.80	\$884.55	-23.00%	
HHR	HeadHunter Group	\$7.07	\$10.38	\$1,990.00	\$1,962.36	18.60%	