

TOP STORIES

- Fed's Clarida Concerned with Inflation Expectations
- Trump Infrastructure Proposal Could Target \$1T in Spending Over 10 Years
- GOP Hawks Grow Concerned Over White House Spending, Deficits
- Beijing Imposes Further Lockdowns to Combat Outbreak
- Homebuyer Mortgage Demand Spikes to 11-Year High as Rates Hit Record Low

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3134 (15.75)	21.26
Nasdaq	10016 (54.5)	80.63
Dow	26340 (147)	188.02

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6280.36	0.60%
DAX	12379.97	0.52%
Nikkei	22455.76	-0.56%
Hang Seng	24481.41	0.56%

ECONOMIC CALENDAR

8:30	Housing Starts	1.1M
12:00	Powell Speaks	
12:00	Bostic Speaks	

FOREX

EUR/USD	1.124 (-0.20%)
USD/JPY	107.37 (0.05%)
USD/CAD	1.353 (-0.10%)
GBP/USD	1.257 (-0.05%)

COMMODITY

Oil	38.08 (-0.78%)
Natural Gas	1.63 (0.99%)
Gold	1721.6 (-0.86%)
Copper	2.5760 (0.45%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	34.86 (1.35%)
Nasdaq	VXN	32.98 (-2.05%)
Oil	OVX	67.32 (-1.15%)
Gold	GVZ	19.47 (-3.18%)

MARKET OUTLOOK

Futures indicating a higher open for the day after a quiet 12 hours for news. There continues to be really just two things in focus right now. First is the continued re-opening and COVID-19 cases. We shook off some rather startling data yesterday about surges in cases in states like AZ, TX and FL while companies continue to come out and say that trends are improving M/M. The overall national numbers for COVID-19 remain generally OK outside of a few hotspots and unless we see major spikes in places like NYC or Los Angeles, likely continues to be put aside by markets. The second major driver is stimulus and the Fed. We had two generally accommodative speeches yesterday from Powell and Clarida, the latter hit around 4pm and more dovish especially around inflation expectations. Powell is back on Capitol Hill today to testify in front of the House Financial Services panel after his cautious comments on labor yesterday. Additionally, the optimism around the infrastructure bill continues even though this has been an objective for Trump and the White House for literally three years now. Elsewhere today, Robert Lighthizer will testify to the Senate Finance committee on tariffs and the WTO, so potential for some China headlines to hit.

Asian markets were mostly mixed overnight in quiet trade. There's some growing geopolitical tensions in the region to keep an eye on in Korea as well as between India and China. In Australia, wind farm operator **Infigen** rose 7.5% after their received another takeover offer from Spain's **Iberdrola**.

European markets are modestly higher again today. It was a fairly positive day for stock-specific news as well. Dutch postal service company **PostNL** rose 15% after strong earnings. Fashion retailer **BooHoo** up 9% after reporting a 45% jump in sales during the shutdown. **HSBC** marginally higher after announcing more job cuts. Public services company **Serco Group** higher by 17% after reinstating guidance and guiding to a strong 1H. Construction firm **Berkley Group** up 4% after affirming guidance and their overall balance sheet. **Delivery Hero** higher by 1.5% after reaching a stake agreement with Just Eat. **Lufthansa** higher by 3% after German investor Heinz Thiele raised his stake to 15%.

It was a quiet night for **economic data**. Eurozone new car registrations fell 52.3% in May, slightly better than the 76.4% drop in April. UK core CPI was slightly below forecasts. Japan exports fell 28.3% in May while imports fell 26.2%, both worse than estimates.

S&P TECHNICALS

It was a really quiet session overnight for S&P futures. We were largely rangebound between 3125 and 3100 before ramping a bit higher into the EU open. We made an overnight high at 3147, just above yesterday's regular session, and pulled back a bit to overnight VWAP at 3123.



KEY EVENTS

Earnings After the Close: ABM

Analyst Days: FMC, AJG

Conferences: Jefferies Investor Conference, World Federation for Hematology

Tomorrow... Philly Fed at 8:30am, Earnings from **KR**

ANALYST ACTION/COMMENTS

WPP upgraded to Buy at Goldman Sachs

Mizuho (MFG) upgraded to Buy at Daiwa

Atlantic Yield (AY) upgraded to Buy at MSCO

Bank OZK (OZK) upgraded to Buy at Raymond James

Regions (RF) upgraded to Buy at Raymond James

Valero (VLO) downgraded to Neutral at Goldman Sachs

Nordson (NDSN) downgraded to Neutral at Keybank

KLA Tencor (KLAC) downgraded to Neutral at Evercore

Amazon (AMZN) initiated Buy at Needham, \$3200 PT

21ViaNet (VNET), GDS Holdings (GDS) initiated Buy at Jefferies

BTIG starting **AUPH, RETA, IFRX, FOLD, CXXI, CRBP, FULC, RTRX** at Buy; **APLS, BCRX** at Neutral

Stitch Fix (SFIX) initiated Buy at Canaccord

Nikola (NKLA) initiated Buy at Cowen, \$79 PT

KKR initiated Buy at Piper

MSG Entertainment (MSGE) initiated Buy at Guggenheim

Anglo Gold (AU) initiated Buy at Deutsche Bank

iRobot (IRBT) PT raised to \$75 from \$50 at Piper

Bausch Health (BHC) PT raised to \$64 from \$50 at HCW

Visa (V) PT raised to \$223 from \$205 at Citi

Floor & Decor (FND) PT raised to \$65 from \$48 at UBS

Beyond Meat (BYND) price target raised to \$142 from \$90 at Credit Suisse

Apple (AAPL) PT raised to \$390 from \$345 at RBC Capital

McDonald's (MCD) PT raised to \$220 from \$208 at Jefferies

MEDIA HIGHLIGHTS

Quibi in discussions to bring streaming app to **Roku (ROKU), Fire TV (AMZN)** - Variety

Tesla (TSLA) registrations fell 37% in April and May in California – WSJ

Investors Are Sitting on the Biggest Pile of Cash Ever – WSJ

European Car Makers' Latest Pandemic Problem: Glut of Unsold Vehicles (**FCAU**) – WSJ

Civil Rights Groups Push for **Facebook (FB)** Boycott - WSJ

AT&T (T) Is Cutting Thousands of Jobs and It's Just the Beginning – Bloomberg

Molson Coors (TAP) to retain advisors to conduct review of assets, could sell EU operations – Bloomberg

Mall of America Said to Miss Another Payment on Mortgage Debt – Bloomberg

TikTok owner ByteDance first-quarter revenue soared to around \$5.6 billion – Reuters

Qualcomm (QCOM) pushes 5G tech into chips for cheaper phones – Reuters

Campbell Soup (CPB) CEO says June pantry sales are unusually high, despite reopening – CNBC

Visa (V) predicts 'permanent' shift in consumer spending habits after pandemic – FT

Yum China (YUMC) seeks banks for potential Hong Kong secondary offering – FT

Senator Josh Hawley Unveils Bill Targeting Big Tech's Shield (**FB, TWTR**) - Axios

STOCK SPECIFIC NEWS OF NOTE

Illumina (ILMN) says U.S. court issues preliminary injunction against BGI companies

Inspire Medical (INSP) announces Cigna coverage for for sleep apnea therapy

Chegg (CHGG) authorizes \$500M share buyback

Norwegian Cruise Line (NCLH) extends suspension of global cruise voyages

Amarin (AMRN) announces patent litigation settlement pact with Apotex

Tempur Sealy (TPX) raising Q2 outlook, says QTD orders have significantly improved from previous expectations

PRE-MARKET MOVERS

Moving Higher: NKLA 4%

Moving Lower: AVEO -10%, NCLH -8%, DKNG -5%

INSIDER TRADING (Form 4 Filings)

Buying: AXS, PK, AES, WD, AVID, COO, MBIO

Selling: SAM, PAYC, PEN, AMK, TYL, ATUS, DXCM, DDOG, KRTX, LRN, PBYI, NEE, SAM

POTENTIAL SYMPATHY TRADES

RCL, CCL – on NCLH extending closure

INTU – on HRB earnings

OPTION HIGHLIGHTS (Prior Day)

Flir Systems (FLIR) early buyers of 1,700 July \$45 calls up to \$2.30 and then 1,000 October \$45 calls opening up to \$4.80, both continuing to see accumulation and now over 4,000 and 2,000 respectively. FLIR has a lot of June open interest expiring this week including 5,000 June \$40 short puts, spot expected to hold, while the July \$45 calls had 2,500 in OI already from buyers starting back in late April. FLIR shares dipped back below the rising 50-MA late last week but put in a nice reversal candle yesterday and trying to reclaim the 8-EMA and short-term momentum today. The 38.2% Fibonacci of the rally from the March lows also held and current channel down from the May highs targets a run to \$55 with MACD back near zero and turning, plenty of room to run. The \$5.5B company trades 18.35X earnings and 2.9X sales with a 1.6% yield and clean balance sheet. FLIR is back in focus today with COVID-19 cases jumping as states re-open for business and name we highlighted in April as a thematic winner as temperature checks become more mainstream. EST, or elevated scan temperature, remains a big opportunity as the company has largely focused sales on Asia Pacific but starting to see greater demand in Europe and the US with COVID-19's rapid spread. The company was at the Needham conference on 5/20 noting that they expect Q2 revenues to remain strong as major manufactures like GM adopt their use to re-open factories. FLIR expects bookings to grow as they expand their sales into more areas like schools and sports venues. Analysts have an average target for shares of \$51. William Blair positive in late April while Raymond James thinks COVID-19 ultimately leads FLIR to shift their go-to-market strategy from just government-centric buyers to a dual market opportunity with consumer/enterprise focus and greatly expanding their TAM. FLIR short interest is 1.7% and around 5-year lows. Hedge fund ownership rose 4%. Polar Capital a buyer of 1M shares in a new position.

AFTER HOURS MOVERS

Gainers: AMRN 5.5%

Losers: NCLH -12.5%, CCL -7%, RCL -6%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.58	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	54	Neutral
NYMO	-3.35	Neutral
McClellan Summation	1019	Above 8-EMA but Turning
Lipper Fund Flows	-\$1.8B	
Univ. of Michigan Consumer Sentiment	78.9	-19.7%
NAAIM Exposure Index	77.48	Elevated
AAII Sentiment	38.1% Bears	Falling

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled

SECONDARY MONITOR

Black Knight (BKI) 5.6M share Secondary; price range \$69.75-\$71.75

Ingersoll-Rand (IR) announces offering of 12.1M shares

DraftKings (DKNG) to sell 33M shares of Class A common stock for holders

Eldorado (ERI) 18M share Secondary priced at \$39

Axon (AAXN) 3M share Secondary priced at \$92

VICI Properties (VICI) 26M Secondary priced at \$22.15

TRADE

WEEKLY TECHNICAL BREAKOUT

AVLR:



Avalara (AVLR) shares forming a bull flag just above its 8- and 21-MA with a run above \$110 targeting a \$15 move. MACD and RSI have reset well and ready for an extended run while the long-term chart is supportive of continued upside.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Globant (GLOB)

Price: \$141.25

Valuation: Undervalued

Analysis: GLOB is a \$5.2B software solutions company that focuses on engineering, design, and innovation services. GLOB helps companies with digital transformations and a lot of long-term potential with more companies looking for growth with cost-savings and efficiency post-COVID. Gartner estimates that \$3.9T will be spent on IT in 2020 alone and they see huge opportunity to gain share

IDEAS

WEEKLY TECHNICAL BREAKDOWN

ET



Energy Transfer (ET) shares forming a bear wedge back just below the 200-MA with momentum starting to wane last week as both MACD and RSI crossed negatively. ET has room back to \$6.5 and then \$5 with some further pressure while the declining 8-day is nice spot to lean against.

PAIR TRADE OF THE WEEK

Industry: Household Products

Long/Short: Long **Clorox (CLX)**, Short **Edgewell Personal Care (EPC)**

Analysis: CLX is coming off a strong quarter and sets up well in a 're-opening' environment given the drive for companies to establish safety protocols. CLX is also set to benefit from continued consumer demand for disinfecting products. EPC has struggled to create sustainable long-term revenue growth and the canceled Harry's merger leaves them lacking a solid DTC approach.

SMALL CAP TRADE OF THE WEEK

Clearwater Paper (CLW) is a \$562M company which focuses on packaging. CLW has a new CEO after years of execution issues, cost overruns, poorly timed M&A deals, and much more. They expect to see better discipline as they expand capacity and look to see better ROIC on some of their big expenditures.

Extras

Medtronic (MDT) opening sale 2550 August \$85 puts for \$2

Inovalon (INOV) trade put on 1000 July/August \$20 call calendar spreads for \$0.90

Carlyle (CG) buyer 3000 January \$40 calls \$0.70 to open

Match (MTCH) opening sale 1000 June 26th (W) \$90 puts for \$3.30

Dish (DISH) spread bought 2500 December \$47.50 calls \$2.70 and sold 5000 of the \$27.50 puts \$2.95

Allogene (ALLO) with 275 August \$35 synthetic long positions opening as June \$35 calls adjusted

Ring Central (RNG) afternoon action sold 750 January \$200 puts to open near \$11.50

Wells Fargo (WFC) afternoon sweep buyers 10,000 June 2021 \$42.50 calls to open around \$1.30

National Grid (NGG) unusual buy 500 September \$55 puts to open \$2.40

Twitter (TWTR) September \$36 calls active on the day with buyers \$3.20 to \$3.35 and over 4000 trading

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
HRB	H & R Block	\$3.01	\$2.61	\$1,809.00	\$1,764.63	-22.40%	
ORCL	Oracle	\$1.20	\$1.16	\$10,441.00	\$10,717.65	-6.30%	FY In Line

ORCL – Beat on EPS and Missed on Revs - Q4 Cloud Services and License Support revenues \$6.8B, Up 1% Y/Y. In Q4, non-GAAP earnings per share grew 5% in constant currency driven by strong performances in both our cloud infrastructure and cloud applications businesses. Leading the way was our Fusion Cloud ERP Suite that grew 35% in constant currency, and our Fusion Cloud HCM Suite grew 29% in constant currency. Our overall business did remarkably well considering the pandemic, but our results would have been even better except for customers in the hardest-hit industries that we serve such as hospitality, retail, and transportation postponing some of their purchases. Still, for the third year in a row, we delivered double-digit constant currency earnings per share growth in FY20