

TOP STORIES

- Germany's Merkel Lines Up as Much as €100B More Stimulus
- OPEC+ Discuss Extending Cuts as Early Meeting Seen
- Trump Threatens to Use Troops to 'Crush Unrest' in US Cities

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3072.25 (18.25)	19.52
Nasdaq	9654.25 (59.25)	59.36
Dow	25641 (178)	193.98

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6225.33	0.96%
DAX	12030.13	3.83%
Nikkei	22325.61	1.19%
Hang Seng	23995.94	1.11%

ECONOMIC CALENDAR

	Motor Vehicle Sales	
8:55	Redbook	

FOREX

EUR/USD	1.117 (0.29%)
USD/JPY	107.77 (0.18%)
USD/CAD	1.351 (-0.45%)
GBP/USD	1.256 (0.52%)

COMMODITY

Oil	36.41 (2.75%)
Natural Gas	1.776 (0.11%)
Gold	1749.6 (-0.05%)
Copper	2.4795 (0.36%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	28.27 (2.76%)
Nasdaq	VXN	28.84 (3.15%)
Oil	OVX	67.31 (-2.77%)
Gold	GVZ	18.14 (-0.06%)

MARKET OUTLOOK

Futures are indicating another strong open for the day as optimism around re-openings and stimulus remain the focus for markets. There were a number of headlines but the biggest by far was that Germany is expecting to finalize a second stimulus package with their coalition partners today that could be as much as \$112B. This comes ahead of Thursday's ECB announcement where expectations are for an expansion of its asset buying program. Saudi Arabia unveiled a program to inject \$13B into banks to offset weakness from coronavirus and oil. There was also a Bloomberg note earlier this morning that indicated that we could start seeing QE programs from emerging markets after a series of broad sweeping rate cuts. Overall, remaining a very accommodative environment globally. Elsewhere, oil is up 2.75% as OPEC and its allies are discussing extending current production cuts. Russia will make a decision later today. In the US, civil unrest continues despite POTUS threatening to use troops to stop current protests.

Asian markets were broadly higher overnight as optimism over a recovery continued. Hong Kong was higher by 1.1% despite a weak retail sales number. The Nikkei rallied again as Tokyo entered phase two of its re-opening.

European markets are in the green this morning and just shy of three month highs. The DAX jumped over 3% as it returned from Monday's holiday and saw a number of strong gainers. German auto stocks rallied after the government proposed a \$6.2B stimulus package to boost car sales. **BMW** up 6%, **Daimler** up 10%, and **VW** was up 6%. **Lufthansa** up 5% after their board approved a \$10B bailout. Hospital operator **Mediclinic** up 1.5% despite a small loss for the year. **Tesco** was down 2% after their CFO stepped down. Norway's **Seadrill** down 9% after announcing plans to delist from the NYSE. **Carrefour** down 1% after the grocery operator agreed to buy c-store operator Wellcome Taiwan.

Finally, a quiet day for **economic data**. South Korean GDP fell 1.3% in Q1, slightly better than feared. China vehicle sales for May rose 11.7% The RBA kept rates unchanged, as expected. They also noted that the economy could be faring better than originally thought. The French government said they expect the economy to shrink 11% in 2020, worse than the 8% drop earlier predicted. Swiss retail sales fell 19.9% in April, down from a 5.8% drop in March. UK mortgage approvals fell more than expected in April.

S&P TECHNICALS

An active night for S&P futures after opening weak and trading down to 3,035 during the Asian open. We never breached Monday's lows and buyers stepped in as we ramped higher around 3:30am as Europe opened. The overnight high is 3,075.5. VWAP for the session is 3053 and for the week at 3,045.



KEY EVENTS NEXT WEEK**Earnings After the Close:** AMBA, CRWD, HQY, MDLA, ZM**Analyst Days:** MRNA, MDT**Conferences:** Goldman Sachs Travel & Leisure, UBS Industrials and Transports, Baird Consumer, BAML Tech, Jefferies Healthcare**ANALYST ACTION/COMMENTS****Quest Diagnostics (DGX)** upgraded to Buy at Deutsche Bank, \$140 PT**Grainger (GWW)** upgraded to Buy at Longbow**Eaton Vance (EV)** upgraded to Buy at BAML**RH** upgraded to Hold from Reduce at Gordon Haskett**Lowe's (LOW)** upgraded to Buy at Gordon Haskett**Cnooc (CEO)** upgraded to Buy at DBS Bank**Hess Corp (HES)** upgraded to Buy at Citi, \$60 PT**Tellurian (TELL)** downgraded to Sell at Stifel**CBOE Global (CBOE)** downgraded to Hold at JP Morgan**Tractor Supply (TSCO)** downgraded to Hold at Goldman**Cognex (CGNX)** downgraded to Sell at Baird**Lululemon (LULU)** downgraded to Hold at Wells Fargo**1-800 Flowers (FLWS)** downgraded to Sell at DA Davidson**Sprout Social (SPT)** initiated Buy at Baird, \$33 PT**PROS Holdings (PRO)** initiated Buy at Baird, \$45 PT**Slack (WORK)** initiated Buy at Cowen**Progeny (PGNY)** initiated Buy at Guggenheim, \$30 PT**Ayala Pharma (AYLA)** initiated Buy at Citi, \$25 PT**Zynga (ZNGA)** PT raised to \$11 from \$8.50 at Piper**Activision Blizzard (ATVI)** best positioned for second half of 2020, says Piper**Arcus Biosciences (RCUS)** PT raised to \$41 at Citi**MacroGenics (MGNX)** PT raised to \$25 from \$15 at Citi**Microsoft (MSFT)** PT raised to \$250 at Wells Fargo**MEDIA HIGHLIGHTS**

Delinquency rate triples in US commercial mortgage market to 7.4% from 2.3% – FT

U.S. companies issue shares at fastest rate ever – Reuters

Retailers wrestle with mountain of unsold stock – Reuters

Record Rate Cuts Leaves Emerging Markets Mulling QE – Bloomberg

Southwest (LUV) offers buyout packages, temporary leaves to 'ensure survival' – Reuters

Flows to U.S. LNG plants sink to 9-month low – Reuters

Marriott (MAR) opens all hotels in China, sees steady U.S. recovery – Reuters**Zoom Video (ZM)** plans strong encryption for paying customers - Reuters**Embraer (ERJ)** open to new business partners after failed Boeing deal - Reuters**Apple (AAPL)** cuts iPhone prices in China to keep momentum going – CNBCChina's **SMIC** to raise \$2.8B in listing to boost capabilities amid trade war – CNBC

Mining remains a bright spot in M&A gloom – FT

Sling TV President Warren Schlichting Out at **Dish (DISH)** After Subscriber Losses – Variety

Madison Avenue Wants Heavy Ad Rate Cuts. TV Networks Are Trying to Resist – Variety

Western Union (WU) Makes an Offer to Buy **MoneyGram (MGI)** – Bloomberg**Stitch Fix (SFIX)** to cut about 1,400 jobs in California - WSJ**STOCK SPECIFIC NEWS OF NOTE****Rental payment updates** – **VICI** (100% of tenants paid), **ADC** (87% of tenants entered deferral agreements), **FRT** (54% of rents paid), **REG** (68% of April and 58% of May paid), **SLG** (95.1% of April, 84.7% in May), **SRC** (73% of April and 65% of May), **WRI** (70% of April and 62% of May)**SL Green (SLG)** resuming buyback**Visa (V)** sees recovery in May with payments volume down 5% vs 18% in April**RH (RH)** sees 'clear path to 20% operating margins over next few years'**Bristol Myers' (BMY)** treatment succeeds in late-stage bowel disease study

PRE-MARKET MOVERS

Moving Higher: SAVE 5%, BP 4.5%, AAL 4%, LUV 3.7%, DB 3.3%, UAL 3%

Moving Lower: FRO -2.5%

INSIDER TRADING (Form 4 Filings)

Buying: LYRA, OPK, GDOT, CAR, DVAX, JAZZ

Selling: TROW, JBHT, SAFM, JJSF

POTENTIAL SYMPATHY TRADES

MA, PYPL, DFS, COF – on V update

OPTION HIGHLIGHTS (Prior Day)

Bausch Health (BHC) with another 3,325 January 2022 \$30 OTM calls bought today up to \$2.70 and spot where 6,350 have been bought the last two sessions. BHC has also seen buyers in the July \$17 calls recently and on 5/7 the January \$15 calls bought 5000X up to \$3.75 and the October \$15 calls bought 3300X up to \$3.15. Shares were coiled to kick off the week above its 8-EMA and breaking out today above \$19.25 of a wide base that stretches back to mid-March. BHC has room in the near-term up to \$23 and the 200-MA and \$25 a big volume node from the last three years. The \$6.6B drug maker has underperformed the recent rebound in the S&P given its leverage but strong FCF and trading 0.77X sales and 3.5X FY22 earnings with high-teens growth forecast. Today's flows are likely targeting strategic actions such as a break up or business spin off to unlock value. The company's eye care business, Bausch & Lomb, has been highlighted as an attractive stand alone business given its long-term margin potential. BHC's core business has struggled and likely headwinds if we stay in a prolonged recessionary environment. Analysts have an average target for shares of \$32. JP Morgan in February noted that management commentary has suggested they were more amenable to a split and becoming a matter of 'when' not 'if'. HCW in March with a \$50 PT noting that concerns over debt are overblown as their debt repayment has been timely and proactive with no mandatory amortization now due until 2022. Short interest is 5.6% but well off of 2017 highs near 15%. Hedge fund ownership rose 4% in Q1. Paulson adding 5M shares and now with 25M total, their largest position and a 13.6% weight. Redwood Capital, Glenview, and Point72 all notable holders as well who added, the two former are 5% holders. Insiders also active in the name. The CEO Joe Papa bought \$1.5M in stock in 2019 around \$23.

AFTER HOURS MOVERS

Gainers: WU 6%, SWBI 4%, RH 3%

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

Guardant Health (GH) 11.5M Secondary priced at \$84

Adaptimmune (ADAP) 20M share Secondary priced at \$11

Allogene Therapeutics (ALLO) 11.7M share Secondary priced at \$47

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 players 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

JP Morgan (JPM) opening sale 1000 June 2021 \$95 puts for \$12.95

Microsoft (MSFT) opening sale 2200 March 2021 \$165 puts for \$12.70 in a stock replacement

Cisco (CSCO) opening seller 1000 January \$48 puts today ITM for \$5.55

Reata Pharma (RETA) weak chart and this afternoon 600 August \$125 puts bought up to \$11.50

Square (SQ) late trade selling August \$105 calls and buying \$77.5/\$67.5 put spreads 3050X, likely protecting stock

DocuSign (DOCU) opening sale 2000 January 2022 \$130 puts for \$26.80

Enanta Pharma (ENTA) opening seller 300 October \$55 ITM puts for \$8.50

Norfolk Southern (NSC) trade opened 1000 June \$200/\$160 bull risk reversals at \$0.70 credit

Progressive (PGR) with 1000 November \$60 puts sold to open \$1.80

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
ENS	Energysys	\$1.11	\$1.19	\$781.80	\$781.63	-1.90%	
NXGN	NextGen Healthcare	\$0.20	\$0.19	\$136.38	\$136.07	1.20%	
NGL	NGL Energy Partners	-\$1.89	\$0.08	\$1,681.24	\$1,927.59	-20.80%	
PUMP	ProPetro	-\$0.08	\$0.27	\$395.10	\$392.26	-27.60%	

Earnings Before the Open

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
BZUN	Baozun	\$0.44	\$0.21	\$1,523.60	\$1,444.00	18.40%	
CBRL	Cracker Barrel		-\$1.23		\$436.22		
DKS	Dick's Sporting Goods		-\$0.83		\$1,295.30		
DCI	Donaldson	\$0.50	\$0.38	\$629.70	\$606.01	-11.70%	