

**TOP STORIES**

- Stocks Prolong Rally as Re-Opening, Stimulus Remain in Focus
- China’s Services Sector Bounces Back into Growth in May
- Mortgage Demand from Homebuyers Jumps 18% as Interest Rates Set Another Low
- Relative Calm as Protests Continue Across US Despite Curfews

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3090 (13)</b>	<b>12.18</b>
<b>Nasdaq</b>	<b>9678.75 (31)</b>	<b>26.44</b>
<b>Dow</b>	<b>25861 (160)</b>	<b>147.35</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>6296.99</b>	<b>1.25%</b>
<b>DAX</b>	<b>12303.25</b>	<b>2.35%</b>
<b>Nikkei</b>	<b>22613.76</b>	<b>1.29%</b>
<b>Hang Seng</b>	<b>24325.62</b>	<b>1.37%</b>

**ECONOMIC CALENDAR**

	<b>Motor Vehicle Sales</b>	<b>10M</b>
<b>8:14</b>	<b>ADP Employment</b>	<b>-8.66M</b>
<b>9:45</b>	<b>PMI Services</b>	<b>36.9</b>
<b>10:00</b>	<b>Factory Orders</b>	<b>-14%</b>
<b>10:00</b>	<b>ISM Non-Manufacturing</b>	<b>44.0</b>

**FOREX**

<b>EUR/USD</b>	<b>1.12 (0.31%)</b>
<b>USD/JPY</b>	<b>108.69 (0.03%)</b>
<b>USD/CAD</b>	<b>1.354 (0.18%)</b>
<b>GBP/USD</b>	<b>1.259 (0.30%)</b>

**COMMODITY**

<b>Oil</b>	<b>36.3 (-1.39%)</b>
<b>Natural Gas</b>	<b>1.786 (0.51%)</b>
<b>Gold</b>	<b>1724.7 (-0.54%)</b>
<b>Copper</b>	<b>2.492 (0.04%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>27.37 (-3.05%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>28.21 (-2.69%)</b>
<b>Oil</b>	<b>OVX</b>	<b>64.48 (0.16%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>18 (-0.33%)</b>

**MARKET OUTLOOK**

Futures indicating another solid open today as economic data across the globe showing continued improvement in May. The overall narrative remains the same this morning. The positive PMI prints are showing that gradual re-openings are working plus this week’s talk of more stimulus is creating a strong tailwind for a continued grind higher and the ECB tomorrow could add even more by expanding purchases. In addition, Brent crude briefly went back above \$40/barrel for the first time in three months which is helping sentiment. Meanwhile China’s oil demand is reportedly back at 90% of pre-COVID levels. We’re also seeing more positive individual updates from companies with **CAKE**, **LYFT**, and **MCHP** last night while earnings from **ZM** and **CRWD** were outstanding but largely expected. Elsewhere, the protests calmed a bit last night although the market has not really cared much either way. Elsewhere, gold/silver and bonds both down around 30 bps to 50 bps.

Asian markets posted strong gains again today as economic data continues to improve sequentially and stimulus measures remain a tight backstop. A weakened yen helped lift some Japanese exporters like autos with **Suburu**, **Nissan**, and **Mazda** all higher by 6% to 9%.

European markets extended their rally again this morning ahead of the ECB and hopes for more support. Miners showed some overall strength with **Anglo American** and **Glencore** up 2.5%. **Wizz Air** up 1% after reporting FY operating profits. Tour operator **TUI** up 10.5% after it reached a new compensation deal with Boeing for its 737 MAX. Automaker **Renault** is up 8% after finalizing their \$5.6B bailout with the government. Other autos like **BMW**, **Daimler**, and **VW** are up 3-4% with the German stimulus talks. Insurer **AXA** up 7.5% after deciding to cut their dividend but left open the door for a Q4 payment if conditions improve. Insurers like **Allianz**, **Aegon**, **SwissRe**, **Munich Re** are up 5% in sympathy. Airliner **Lufthansa** up 4.5% on their restructuring plan.

And finally, turning to **economic data**, it was a busy night. China Caixin Services PMI came in at 55 and up from 44.4 in April. It was the first expansion in four months. Australian GDP fell to 1.4% which was in line with estimates. Hong Kong manufacturing PMI rose to 43.9 vs 36.9. Japan services PMI rose to 26.5, better than forecast. EU services PMI and overall composite PMI both beat Street forecasts. Italy, Germany, and France were all strong as well. EU unemployment was better than feared at 7.3% vs 8.2%. German unemployment was slightly higher than expected. Swiss GDP fell to down 1.3% from 1.6%.

**S&P TECHNICALS**

It was a very quiet overnight session. We opened around 3075 and that was the low for the night. The early night move up to 3,090 has been really it for movement with a narrow range since. There’s been a series of higher highs and lower-lows in this channel that targets 3,100. Overnight VWAP is at 3088.



**KEY EVENTS**

**Earnings After the Close:** CHNG, CLDR, CMTL, ESTC, GEF, GWRE, SMAR, ZUO

**Analyst Days:** ADSK

**Conferences:** UBS Industrials and Transports, Baird Consumer, BAML Tech, Jefferies Healthcare

**ANALYST ACTION/COMMENTS**

**Nio (NIO)** upgraded to Buy at Goldman Sachs

**Microchip (MCHP)** upgraded to Buy at B Riley

**Mattel (MAT)** upgraded to Buy at Jefferies

**KBR** upgraded to Buy at Goldman Sachs

**Zoom Video (ZM)** upgraded to Buy at RBC Capital

**Cincy Financial (CINF)** upgraded to Buy at RBC Capital

**Baozun (BZUN)** upgraded to Buy at Credit Suisse

**Cracker Barrel (CBRL)** upgraded to Buy at Sun Trust

**CH Robinson (CHRW)** upgraded to Neutral at BAML

**Kontoor (KTB)** upgraded to Buy at Piper Sandler

**ArcBest (ARCB)** upgraded to Buy at BAML

**Huntington (HBAN)** upgraded to Buy at Stephens

**Cloudera (CLDR)** upgraded to Buy at MSCO

**Vale SA (VALE)** upgraded to Buy at UBS

**Wabtec (WAB)** downgraded to Neutral at Goldman

MSCO cuts **NCLH, RCL, CCL** to Underweight

**Accenture (ACN)** downgraded to Neutral at BNP Paribas

**Keycorp (KEY)** downgraded to Neutral at Stephens

**Adaptive (ADPT)** initiated Buy at Goldman Sachs

**Decker Brands (DECK)** initiated Buy at Cowen, \$220 PT

**Penn National (PENN)** PT raised to \$40 at BAML

**MEDIA HIGHLIGHTS**

Bears Stampede Out of High-Yield ETFs With Fed Backstop in Play – Bloomberg

**Coty (COTY)** in talks to collaborate with Kim Kardashian for cosmetics line – Reuters

**Google (GOOGL)** hit with \$5B class action suit in U.S. for allegedly tracking 'private' internet use - Reuters

**Shell (RDS.A)** weighs sale of \$2 billion-plus stake in Queensland LNG facilities – Reuters

**Microsoft (MSFT)** moving aggressively to push Teams as competitor to **ZM, WORK** – WSJ

U.S. Weighs Tariffs Against Nations Seeking to Tax Internet Firms – WSJ

Payday lenders are targeting consumers hurt by the coronavirus (**EZPW, FCFS, WRLD**) – WSJ

**Amazon (AMZN)** plans summer sale event to 'jumpstart sales,' – CNBC

**Wells Fargo (WFC)** stops making loans to most independent car dealerships - CNBC

Regulators May Punish **Deutsche Bank (DB)** for Its Jeffrey Epstein Ties – NYT

Big banks could target lending platforms for deals as crisis squeezes earnings (**LC, ONDK, GSKY**) – Reuters

**STOCK SPECIFIC NEWS OF NOTE**

**Cheesecake Factory (CAKE)** sees reopening 65% of closed dining rooms by mid-June

**Lyft (LYFT)** says Rides up 26% month-over-month in May, down 70% year-over-year

**Twitter (TWTR)** names Patrick Pichette chair of the board

**Encompass Health (EHC)** says home health total admissions decreased 23.5% for April

**Meritor (MTOR)** approves restructuring plan

**Constellium (CSTM)** signs multi-year contract with **Airbus** to supply aluminum

**B&G Foods (BGS)** reports preliminary May net sales \$160.1M, up 50.5%

**Alaska Air (ALK)** says April capacity down 78% Y/Y and May down 79%; will reduce capacity in June 70% to 75%

**Microchip (MCHP)** raises guidance slightly as supply disruptions ease

**PRE-MARKET MOVERS**

**Moving Higher:** NIO 6.6%, BUD 5%, STM 4.5%, ING 4.5%, FTI 4%

**Moving Lower:** OSUR -3.8%, NCLH -3%, RCL -2%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** AFG, ESNT, BOMN, MIDD, TLND

**Selling:** ETN, CTXS, EL, DLTR, FB, USNA, LHX, BILL

**POTENTIAL SYMPATHY TRADES**

**INTC, ASML, STM, MU, MXIM, TXN** – on MCHP positive update

**UBER** – on LYFT update

**AIG, ALL, PRU, MET** – on AXA dividend news

**OPTION HIGHLIGHTS (Prior Day)**

**Micron (MU)** with 7,000 January 2022 \$43 puts sold to open this morning for \$9.40 to \$9.35, sizable institutional trade showing long-term willingness to own stock around current levels. MU has seen a lot of bullish flows lately including size buyers in the June \$46 and \$47 calls, the July \$50 calls, and January \$50 calls, the latter for more than \$16M back on 3/25. Shares are coiled around YTD VPOC as well as the 200-MA at \$47/\$48 and the 50-day MA starting to curl higher and just below today's lows. A breakout targets a run back near 2020 highs at \$60. The \$51.5B company trades 9.67X earnings and 2.6X sales with mid-to-high teens growth and limited debt. MU expects a solid ramp in earnings power in the next 2-3 years up from \$2.50 to over \$7 in FY22. MU gave a positive update last week on the quarter citing better pricing and execution while work-from-home has been a solid demand driver for both DRAM and NAND. The CEO also noted at the Bernstein conference that they expect pent up demand for smartphones to come back with the lockdowns easing and that 5G will be a long, multi-year growth cycle which will support demand for both memory and storage as well as higher content per unit. Analysts have an average target for shares of \$62.50. Rosenblatt with a \$100 PT on 5-28 seeing further growth in the August quarter. Wells Fargo continues to see evidence the company can return to its mid-cycle \$7/share in earnings power given the better pricing environment. Short interest is 3.2% and around 20-year lows. Hedge fund ownership rose 3.5% in Q1. Viking Global, Sanders Capital, Point72, Whale Rock, and Himalaya Capital all notable buyers and top positions. MU will report earnings on 6-29.

**AFTER HOURS MOVERS**

**Gainers:** CAKE 7.5%, MCHP 7.5%, CRWD 6%

**Losers:** HQY -9%, AMBA -3.5%

**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; **pricing at \$25 (on 6/3)**

**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**

**OraSure (OSUR)** 8M share Secondary priced at \$11

**Palo Alto Networks (PANW)** files to sell \$1.75B of convertible senior notes due 2025

**Dynatrace (DT)** 30M share Secondary priced at \$35

**Reinsurance Group (RGA)** 6.173M share Spot Secondary priced at \$81

## 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

**General Dynamics (GD)** with 2,000 July \$160 calls sold to open for \$1.75

**Marriott (MAR)** late day sellers of 2,500 June \$88 puts for \$1.95 to \$1.90

**CrowdStrike (CRWD)** with 1700 December \$87.5 calls opening late near \$19.60 as June \$75 adjusted out and up

**Zimmer Bio (ZBH)** IV rose late into the close with 2250 June \$135 calls bought \$1.40 to \$1.75 to open

**Adient (ADNT)** with 2000 January \$21 calls opening \$4.12 as the \$18 calls adjusted up a few strikes

**Square (SQ)** opening seller 1500 January 2022 \$100 calls for \$18

**Tegna (TGNA)** 3pm buyers of 2950 December \$15 calls \$0.75 offer to open, formerly was being targeted in M&A

**McKesson (MCK)** unusual buyer of 1000 June 12<sup>th</sup> (W) \$165 calls \$2.50 to \$2.95

**Facebook (FB)** large sales 1500 September \$215 puts near \$12.75

**Boeing (BA)** buy-write with 2000 September \$180 calls sold for \$10.70

## Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
AMBA	Ambarella	\$0.04	-\$0.01	\$54.60	\$54.32	15.70%	FY Below
CRWD	CrowdStrike	\$0.02	-\$0.06	\$178.08	\$165.39	85.30%	FY Above
HQY	HealthEquity	\$0.43	\$0.44	\$190.00	\$193.32	118.40%	FY Below
MDLA	Medallia	\$0.02	-\$0.02	\$112.69	\$107.03	20.40%	
ZM	Zoom Video	\$0.20	\$0.10	\$328.20	\$203.53	169.00%	FY Above

**CRWD – Beat on EPS and Revs** - "An increasing number of organizations recognize the power of CrowdStrike's cloud-native Falcon platform to effectively stop breaches as well as simplify their security and I.T. operations stack with a single, lightweight agent. Cybersecurity is mission critical and in the quarter our customers continued to prioritize their cybersecurity investments. With both security administrators and end-users working from home, we believe the rapid shift to a remote workforce has helped increase our leadership. We achieved 88% ARR growth and 105% subscription customer growth year-over-year as we continue to partner with customers to protect and manage their critical workloads in a heightened threat landscape and a rapidly evolving business environment."

**AMBA – Beat on EPS and Revs In Line, FY Below** - "The unprecedented combination of geopolitical and public health risks, and the associated economic downturn, limit visibility and cause the duration, severity and impact to be unknown. Our visual AI computer vision strategy continues to be validated, as our CV design activity remains strong and five new CV customers entered production in Q1. The long-term outlook for the higher levels of automation we enable in multiple industries remains healthy, our CV portfolio continues to expand, and with a strong and liquid balance sheet supporting our investment, we believe we are positioned to emerge stronger when the current crisis is over."

**ZM – Beat on EPS and Revs, FY Above** - “We were humbled by the accelerated adoption of the Zoom platform around the globe in Q1. The COVID-19 crisis has driven higher demand for distributed, face-to-face interactions and collaboration using Zoom. Use cases have grown rapidly as people integrated Zoom into their work, learning, and personal lives,” said Eric S. Yuan, Founder and Chief Executive Officer of Zoom. “We also supported an unprecedented number of free participants, including over 100,000 K-12 schools around the globe that chose Zoom to deliver the best online education experience.” Drivers of total revenue include acquiring new customers and expanding across existing customers. At the end of the first quarter of fiscal year 2021, Zoom had: Approximately 265,400 customers with more than 10 employees, up approximately 354% from the same quarter last fiscal year. 769 customers contributing more than \$100,000 in trailing 12 months revenue, up approximately 90% from the same quarter last fiscal year. A trailing 12-month net dollar expansion rate in customers with more than 10 employees above 130% for the 8th consecutive quarter

#### Earnings Before the Open

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
AEO	American Eagle		-\$0.31		\$636.12		
CPB	Campbell Soup	\$0.83	\$0.54	\$2,237.00	\$2,261.56	14.60%	FY In Line
GOOS	Canada Goose	-\$0.12	-\$0.12	\$140.90	\$130.37	-9.80%	
CNK	Cinemark	-\$0.51	-\$0.17	\$543.60	\$557.51	-23.90%	
VRA	Vera Bradley		-\$0.27		\$80.23		