

TOP STORIES

- Jobs Rebound Spurs GOP Calls to Go Slow on Stimulus Measures
- EU Bank Dividends Could Face Regulatory Pressure Until 2021
- 22 States See Jump in New Coronavirus Cases
- World Bank Predicts Worst Recession in 80 Years Amid Coronavirus

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3197.5 (-30)	-32.89
Nasdaq	9834.75 (-50)	-64.17
Dow	27230 (-297)	-323.44

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6362.43	-1.7%
DAX	12564.79	-2.01%
Nikkei	23091.03	-0.38%
Hang Seng	25057.22	1.13%

ECONOMIC CALENDAR

TIME	EVENT
	FOMC Meeting Starts
10:00	JOLTs
10:00	Wholesale Trade

FOREX

EUR/USD	1.128 (-0.11%)
USD/JPY	108.06 (-0.33%)
USD/CAD	1.345 (0.52%)
GBP/USD	1.264 (-0.65%)

COMMODITY

Oil	37.4 (-2.07%)
Natural Gas	1.81 (1.17%)
Gold	1716.4 (0.66%)
Copper	2.5685 (0.12%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	25.55 (4.20%)
Nasdaq	VXN	26.44 (3.56%)
Oil	OVX	67.53 (5.23%)
Gold	GVZ	17.97 (-1.10%)

MARKET OUTLOOK

Futures are indicating a weak open for the day with value names pulling back in Europe amid some profit-taking, especially financials. There are a couple things spooking markets in the last 18 hours. First is growing calls from GOP senators to pullback on stimulus efforts even as the White House seeks another \$1T in aid. The recent jobs data is giving confidence to some Republicans as the deficit has surged. Second, financials are under pressure in Europe after the ESRB recommended that they shouldn't pay a dividend until at least the end of 2020 and likely longer. The group fears that the EU could face a longer recovery than expected as the depth of the crisis comes into focus. Finally, COVID cases continue to rise as 22 states now have reported a jump since re-opening. This is undoubtedly going to go up more as full data from the protestors last week comes into focus. There was also some serious doubt being cast on the WHO's claim yesterday that asymptomatic spread of coronavirus is 'very rare.' Put all together, some cautiousness definitely creeping back into the forefront. Elsewhere, the World Bank said on Monday that the pandemic will cause output to contract globally by 5.2%, the worst in decades. On the positive side, a number of company-specific updates continuing to show improvement in May from **MA, HOLX, SMG, PAG, EAT, WEN, EYE, and OI**.

Asian markets were mixed overnight. Hong Kong was up over 1%. **Cathay Pacific** was halted after the airline announced it would get a \$5B bailout from the government. The Nikkei snapped a six-day winning streak.

European markets are modestly lower as well with growth concerns weighing. It was a real quiet morning for stock-specific news. Financials led the declines with **Commerzbank, Deutsche Bank, and BNP** all down around 4-5%. **British Tobacco** down 4% after trimming their FY outlook. Homebuilder **Bellway** down 1% after a business update. Shares in oil majors like **BP, Shell, and Total** all down around 3-4% as fears of oversupply in the market linger. **Telefonica Deutschland** down 4.5% after reaching a deal to sell tower sites to **Telxius**. Software company **Aveva** up 4% after earnings and announcing some cost cuts.

A slow day for **economic data**. Eurozone GDP revision came in better than feared at down 3.6% vs down 3.8%. Unemployment was slightly better than feared. German imports fell 16.5% in April and Exports down 24%, both worse than consensus. Swiss unemployment improved in May. NFIB small business optimism rose to 94.4 vs 86 in May.

S&P TECHNICALS



KEY EVENTS**Earnings After the Close:** AMC, CHWY, FIVE, GME, VRNT**Analyst Days:** SYNA, LEA**Conferences:** Deutsche Bank Industrials (ALB, APD, BLL, CSTM, CSX, EMN, HON, IR, KSU, NSCO, NVT, OI, RXN, UNP), Goldman Healthcare (ABC, ACAD, AIME, ALLO, ALXN, BAX, BDX, BMRN, CDNA, EW, GBT, HOLX, HQY, INCY, MCK, MCRB, MDT, PFE, PHIA NA, QURE, RARE, RVNC, RYTM, SGEN, SRPT, TCDA, TPTX, VAR, ZBH), William Blair Growth (EB, ALRM, ALTR, ANET, APPN, BKI, BL, CRM, DT, ECOM, FTNT, IT, MRCY, NOV, PFPT, QADB, RAMP, RNG, SSI, VCRA), Stifel Cross Sector Insight (ACLS, AMBA, ANET, ARW, BHE, CLDR, COHU, CRM, CSGS, DOX, IGP, IPHI, JCOM, LITE, NSIT, POWI, PRO, ROG, RPD, SPSC, SPT, TTMI, UCTT, VIAV, VMW, WK), Morgan Stanley Financials (AIG, AIZ, APO, ARES, BAC, CFG, CG, CMA, DFS, FBC, FLT, JPM, KIM, KKR, MC, MS, PNC, RF, TCF, TFC, THG, V), William Blair Growth (FOCS, GPN, RPAY, TREE)**ANALYST ACTION/COMMENTS****United Health (UNH)** upgraded to Buy at Barclays**Zynga (ZNGA)** upgraded to Buy at Barclays, \$12 PT**Occidental (OXY)** upgraded to Buy at BAML**Dicks (DKS)** upgraded to Buy at Oppenheimer**Raymond James (RJF)** upgraded to Buy at MSCO**Comerica (CMA)** upgraded to Buy at Wedbush**Quest Diagnostics (DGX)** raised to Neutral at Wells Fargo**Wix.com (WIX)** upgraded to Buy at Keybank**LPL Financial (LPLA)** upgraded to Buy at MSCO**Boston Properties (BXP)** upgraded to Buy at Sun Trust**Vonage (VG)** downgraded to Hold at Jefferies**KB Home (KBH)** downgraded to Hold at RBC Capital**Matador (MTDR), Continental (CLR)** downgraded to Hold at MKM**Biogen (BIIB)** downgraded to Hold at Bernstein**Concho (CXO), Chevron (CVX)** cut to Hold at BAML**T-Mobile (TMUS)** downgraded to Hold at Guggenheim**United Rentals (URI)** initiated Buy at Baird**SVB Financial (SIVB)** initiated Buy at Oppenheimer**RealReal (REAL)** initiated Buy at BTIG**Sprout (SPT)** initiated Buy at BTIG, \$40 PT**MEDIA HIGHLIGHTS****Microsoft (MSFT)** says Xbox on track for the fall - TimeFrance launches aid package to rescue aerospace industry (**SPR, TGI**) – Reuters**Alibaba (BABA)** ramps up cloud presence with thousands of new tech jobs – ARN**California Resources (CRC)** Is Preparing Near-Term Bankruptcy Filing – WSJ**Nestlé** to Sell Buitoni North American Business – WSJ**TSMC (TSM)** secures gov't subsidies for AZ plant – Reuters**WeWork** Explores Ending Its Push Into Shared Apartment Living – Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Soleno Therapeutics (SLNO)** Phase III trial does not meet primary endpoint**Global Blood Therapeutics (GBT)** to seek expanded labeling for Oxbryta**Macy's (M)** raises approximately \$4.5B in financing**FibroGen's (FGEN)** phase 3 study of roxadustat shows non-inferiority in CKD**Cathay Pacific** announces HK\$39B in recap financing**Scotts Miracle (SMG)** raises FY guidance**Beacon Roofing (BECN)** says QTD sales trends have been above expectations**British Tobacco (BTI)** lowers FY targets slightly**Hologic (HOLX)** positive pre-announcement with Surgical recovering faster than expected and Diagnostics outperforming as well**Mastercard (MA)** positive update w/ switched volume continuing to improve since May 7th**Wendy's (WEN)** positive update w/ global SSS improving every week in May with Breakfast outperforming; US comps down 1.9% vs down 14% in April**O-I Glass (OI)** says trends improved starting mid-May in most markets**National Vision (EYE)** estimates one-month April SSS down 83.9%, May down 56.6%**Intersect (XENT)** SINUVA implant approved for reimbursement by CMS**Penske (PAG)** expects further improvement in June, 2H

PRE-MARKET MOVERS

Moving Higher: NKLA 9%, M 8%, SRNE 7%

Moving Lower: CHK -42%, HTZ -9%

INSIDER TRADING (Form 4 Filings)

Buying: ALGT, CWH

Selling: CODX, A, MORN, PH, NSC, USM

POTENTIAL SYMPATHY TRADES

GWW, FAST – on HDS earnings

MCD, QSR, JACK – on WEN update

OPTION HIGHLIGHTS (Prior Day)

Etsy (ETSY) spread today bought 2,000 September \$85 calls for \$6.32 and sold 2,400 of the September \$100 calls for \$2.68 to open. ETSY has seen a lot of bullish flows lately and those still close to their original buy price include the July \$95 calls, July \$80 calls, and September \$70 calls. Shares rallied strong in March and April and now flagging above its 20-EMA and below \$85. A breakout targets a run higher to \$100 and further into space. Longer-term, ETSY broke out above the 2019 all-time highs at \$73.50, an area that is has back-tested already and held strong. The \$9.5B online retailer trades 11.85X cash and 10.85X sales with profitability expected to ramp from \$1.25/share to \$2/share in FY22. ETSY is coming off of a huge quarter with the lockdowns and COVID-19 driving increased adoption and use of their platform. They highlighted significant demand for face masks which may be volatile over the next 12 months but they also saw 79% Y/Y growth ex-masks and over 6.5M new users which they view as a huge opportunity to develop into longer-term buyers. ETSY is continuing to invest in their platform with best-in-class search and discovery tools and dominating their niche within the broader, massive online e-commerce market. Analysts have an average target for shares of \$75. Citi with a \$100 PT as they see ETSY as a valuable platform to highly fragmented categories that are largely transacted offline. Sun Trust with an \$88 PT noting that even without masks, the demand for homemade products has "erupted" with inflecting growth trends for Q2 as the company is benefiting from surging consumer demand amid retail store closures. Short interest is 6.5% and down from 14% in April. Hedge fund ownership jumped 16.5% in Q1. Valinor with a new 1.4M share position while Cadian Capital now with a 7.5% weight and more than 3.9M shares.

AFTER HOURS MOVERS

Gainers: HTZ 23.5%, NKLA 21.5%, M 15%

Losers: SLNO -50%, CHK -40%, ROP -8%, SFIX -7%, COUP -4.5%, TW -4%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.60	Falling
VIX Curve	Contango	Normal
CNN Fear & Greed Index	66	Greed
NYMO	99.19	Extreme High
McClellan Summation	854.91	Above 8-EMA
Lipper Fund Flows	-\$4.6B	5th Straight Week of Outflows
Univ. of Michigan Consumer Sentiment	72.3	-27.7%
NAAIM Exposure Index	91.6	Highest Since February
AAII Sentiment	38.9% Bears	Falling but Still Above Average

SMART MONEY (13g/13d Filings)

IPO MONITOR

Vroom (VRM) issuing 18.8M shares at \$18-\$20; End-to-end eCommerce platform for the used vehicle market; **VRM** prices 21.25M shares at \$22

SECONDARY MONITOR

Replimune Group (REPL) 2.826M share Spot Secondary priced at \$23

Spirit Realty (SRC) 8M Secondary priced at \$37.35

Retrophin (RTRX) 6.5M share Secondary priced at \$15.50

TRADE

WEEKLY TECHNICAL BREAKOUT

MSFT:



Microsoft (MSFT) shares flagging under \$190 and the February highs with a breakout setting up a run to \$205+. The 20-day MA is rising and just below Friday's range. MACD is nearing a bullish crossover and RSI is starting back above 60, ready to run.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Mercury Systems (MRCY)

Price: \$90.54

Valuation: Undervalued

Analysis: MRCY is a \$5B company that is a leading supplier of electronics for aerospace and defense. MRCY is now a tier 2 supplier which is allowing them to grow their content share within certain systems and a long-term goal of growing their content per system by 12X as they expand into adjacent markets and submarkets. Their sensors are used across massive programs like the F-16, F-35, Triton, Stormbreaker, and more. The sensor/mission systems market is \$17.4B and growing 4.6% CAGR.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

SJM



Smucker (SJM) shares nearing a breakdown under May support at \$106.50 with room back to the low-end of yearly value around \$101. MACD just crossed over bearish and MACD is back under 40 but not yet oversold, so plenty of room for more downside.

PAIR TRADE OF THE WEEK

Industry: Dining

Long/Short: Long **US Foods (USFD)**, Short **Blue Apron (APRN)**

Analysis: USFD was hit hard by the shutdowns but set to see a surge in demand as restaurants re-open, even in a limited capacity as we have seen the drive to go out be huge in early re-opening economies. APRN has risen with the shutdowns leading to more cooking at home and potential sale talks but beyond the pandemic has limited visibility for growth vs better operated peers.

SMALL CAP TRADE OF THE WEEK

AAON (AAON) is a \$2.92B provider of air conditioning and heating equipment for commercial buildings. They have a lot of different market exposures like schools, hotels, grocery, hospitals, and more. Shares trade 6X sales with expectations for high-single digit growth and recently raised their dividend. AAON has boosted capacity which allowed them to meet 100% of deliveries in Q1 and they also saw a jump in sales as they were a provider to temp. hospitals in NY.

Extras

Venom (VNOM) with 2000 July \$13 puts sold to open for \$1.05 to \$1

Baker Hughes (BKR) IV ramped into the close with 5000 June \$20 puts opening

TG Therapeutics (TGTX) opening sale 1000 July \$19 ITM puts for \$2.20

Rio Tinto (RIO) trade opens 3000 October \$62.5/\$57.5 bull risk reversals at a \$2.55 credit as a stock replacement

CrowdStrike (CRWD) with 500 June 2021 \$110 ITM pus sold to open \$29.85

Broadcom (AVGO) with 600 July \$330 ITM puts bought \$22.30 to \$23 to open

Zen-Desk (ZEN) with 375 October \$82.50 puts sold to open \$8.30

Square (SQ) max timeframe and strike September 2022 \$135 calls bought \$13.20 to \$14 to open

Virgin Galactic (SPCE) with 1200 November \$23 calls bought \$3.60 to \$3.70 to open late day, and 1000 January \$22 calls bought \$4.30 offer

Tilray (TLRY) with 5000 January \$11 calls opening as July \$10 adjusted out and up

Facebook (FB) block of 2,626 August \$255 calls opened \$5.30 as June \$205 adjusted, also 1850 June 2022 \$250 calls opened for more than \$7M

Boeing (BA) afternoon action bought 2000 June 2022 \$250 calls to open above \$58

Earnings

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
CVGW	Calavo Growers	\$0.40	\$0.50	\$281.20	\$315.80	-1.70%	
CASY	Casey's General	\$1.67	\$1.83	\$1,812.00	\$1,755.13	-16.80%	
COUP	Coupa Software	\$0.20	\$0.07	\$119.21	\$111.84	46.60%	FY In Line
PHR	Phreesia	-\$0.16	-\$0.24	\$33.40	\$25.92	18.00%	
SFIX	Stitch Fix	-\$0.33	-\$0.15	\$371.70	\$414.54	-9.10%	

COUP – Beat on EPS and Revs - Total revenues were \$119.2 million, an increase of 47% compared to the same period last year. Subscription revenues were \$105.7 million, an increase of 45% compared to the same period last year. Professional services and other revenue was \$13 million, which includes the benefit of a few strategic direct services engagements. Let me highlight a few items that are reflected in Q1 subscription revenue. One from a linearity perspective, new bookings were backend loaded with April being stronger than March, two renewals were strong, consistent with prior quarters.

SFIX – Missed on EPS and Revs - "We grew active clients to 3.4 million, an increase of 9% year over year, and grew net revenue per active client by 6% year over year, our eighth consecutive quarter of growth and a reflection of our loyal and engaged client base. In a time period where the broader apparel and accessories market saw sales decline 80%, we delivered \$372 million in net revenue and expect a

return to positive growth in Q4. We believe our business model and balance sheet uniquely position us to thrive in retail's next era, and we're excited to demonstrate that in the quarters ahead." On our topline trends, we have driven meaningful improvement in the past several weeks. In April, our net merchandise revenue grew week-over-week each week. In May, that momentum continued as we delivered positive year-over-year growth in net merchandise revenue compared to May 2019. We see this return to positive growth in May as an important milestone, and one that reflects the resilience of our U.S. warehouse network, ongoing improvement in client demand as we begin to increase marketing spend, and early momentum resulting from a much larger migration of retail spend online. As a result, we expect to deliver positive year-over-year net revenue growth in Q4'20, adjusted for the impact of the 14th week in Q4'19," said management in a earnings presentation

Earnings Before the Open

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Growth	Notes
BF.B	Brown-Forman		\$0.28		\$681.12		
CONN	Conn's	-\$1.89	-\$0.34	\$317.20	\$309.86	-10.30%	
GCO	Genesco	-\$3.65	-\$2.52	\$279.20	\$306.47	-43.70%	
HDS	HD Supply Holdings	\$0.67	\$0.55	\$1,395.00	\$1,364.11	-6.60%	
LOVE	Lovesac	-\$0.58	-\$0.70	\$54.40	\$47.20	32.70%	
SIG	Signet Jewelers	-\$1.59	-\$2.66	\$852.10	\$795.95	-40.50%	
TIF	Tiffany & Co	-\$0.53	-\$0.09	\$555.50	\$653.97	-44.60%	