



Inside Today's Blitz

- US Recovery May Be Stalling as Cases Surge
- US Fiscal Cliff Risks Coming into Focus Ahead of Benefit Cuts
- Democrats Increasingly Optimistic on Election as Biden Widens Lead in Key States

ADI to buy **MXIM** in an all-stock deal; both companies also boosting guidance and a positive guide from **Nordic Semi** should lift the entire group today; healthcare company **Multiplan** set to come public in an \$11B deal; Barron's positive **NOK**, **ASML**, **JWN**; **PEP** earnings beat forecasts

Market Outlook

Futures indicating a higher open across the board this morning (**SPX** +19.25, **QQQ** +81, **DOW** +182) amid optimism around a potential vaccine advancement and earnings season. There wasn't a lot of new, incremental news this weekend. COVID-19 cases continue to climb in the US with Florida setting a new 1-day record. But, there has been some positives with NY reporting no deaths for the first time since the pandemic started and several countries tightening restrictions. Elsewhere, OPEC is reportedly leaning towards easing production cuts at next week's meeting as the global re-opening drives demand for oil. In Washington, Biden continues to extend his lead over Trump in many key states. The most surprising was a recent poll showing the Democratic candidate with a 5-point lead in Texas. The fiscal cliff continues to creep closer (~two weeks) as congress moves forward with another stimulus plan.

Asian markets rising this morning as sentiment improves around a potential vaccine. China shares are extending last week's rally while the Nikkei hit a new 1-month high. Automakers leading the rally with **Honda** up around 6% and **Nissan**, **Mitsubishi**, and **Mazda** all up between 6% and 8%. Financials also strong with **MUFJ** up 3%. In Europe, stocks also rising with an eye on earnings season. There's also optimism around the ECB meeting later this week where they'll finish up the €750B bailout fund (it could actually get cut a bit to get passed). Finnish valves maker **Neles** up 37% after striking a deal with **Alfa Laval**. A lot of positive earnings updates this morning. Nordic bank **DNB** up 4.5% after earnings. **Nordic Semi** up 10% after posting a strong quarter. **Credit Suisse** rose marginally with a report they're considering job cuts. **Akzo Nobel** up 4% after a positive business update. French biotech **Novacyt** up 2% amid better sales of their COVID-19 test. Security firm **G4S** up 9% after it said it expects 1H earnings to be 'significantly above' expectations. **BooHoo Group** down 15% after a major holder sold a big stake. **Ubisoft** down 9.3% after announcing some executive departures.

Calendar

Today... William Speaks at 11:30am, Kaplan Speaks at 1

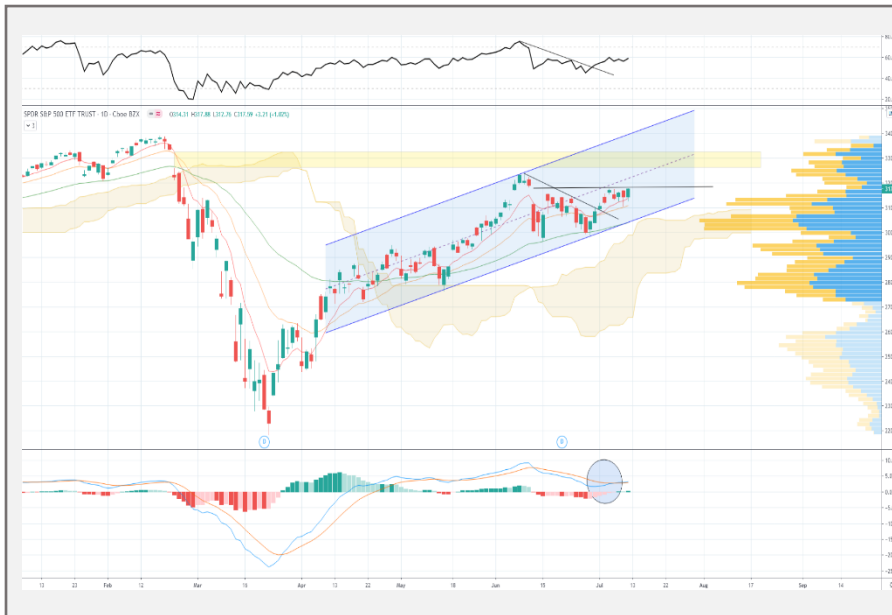
Tomorrow... NFIB Small Business Optimism, Core CPI, Redbook, API Weekly Inventories

Earnings Before the Open: America Movil, Ocado, C, DAL, FAST, FRC, JPM, WFC

Overnight Markets

Oil (WTI)	39.84	-1.75%
Natural Gas	1.782	-1.27%
Gold	1814.7	0.71%
Copper	2.951	1.85%
Bonds	179.44	-0.21%
US Dollar	96.44	-0.18%
VIX	28.3	-1.65%
Silver	19.53	2.48%

Technical View



Key Levels to Watch

A quiet night overall for S&P futures which gapped higher on Sunday. We've been largely rangebound between 3,202 and 3,182 with a bit of a late run into the US open. The overnight VWAP is flat around 3,192.50. VWAP from Friday's open continue to trend higher at 3,162 and would be key support on a pullback. On the daily, breaking out of a small bull flag from last week with eyes on the June highs at 3,227.75 and then YTD VPOC above at 3,265.

Economic Data

- German WPI in line at 0.6% vs 0.6%
- Smartphone shipments fell 16% in China in June, says Reuters

Sentiment

The latest **AAll sentiment** survey for the week ending 7/8 showed a 5% rise in bullish responses and a 3.2% decline in bearish responses. Bullish sentiment remains well-below the long-term average. **NAAIM Exposure** rose slightly to 85.09, the highest since mid-June and remains elevated. **Lipper Fund flows** showed a \$1.5B outflow from equities, the fourth straight week of outflows. As of Friday's close there were 242 new highs vs just 30 new lows, strong breadth. The percentage of stocks above their 50-MA rose a bit to 65.3%. **NYSE Summation** actually fell all week and remains below its 8-EMA in a cautious sign. **CBOE Equity P/C ratio** 50-day MA fell more to 0.53 and remains very complacent. **Cumulative AD** was basically flat for the week and remains just below new highs. **CNN Fear and Greed** rose to 59, the highest level since mid-June. **NYMO** closed around -10.5, fairly neutral.

Macro News

- **Texas COVID-19 cases** rose 4.2% vs the 7-day average of 3.9%
- **Florida** broke a daily record for COVID-19 cases on Sunday

Movers

Gainers: MXIM 17.8%, BNTX 6.7%, TSLA 6%, ON 4%

Losers:

Insider Buying

WTI, VCNX, AXGT

Smart Money (13D/13F Filings)

IPO Monitor

Go Health (GOCO) issuing 39.5M shares at \$18-\$20; online health insurance marketplace

nCino (NCNO) issuing 7.6M shares for \$22-\$24; cloud-based software for financials

Relay Therapeutics (RLAY) issuing 14.7M shares at \$16-\$18; clinical stage oncology company

Treat Insurance (TIG) issuing 10.7M shares at \$13-\$15; focused on specialty risks within the casualty market

- **Atlanta's Mayor is rolling back their re-opening** amid a surge in new cases. The city has moved back to essential travel only.
- **School re-opening** – Education Sec. DeVos was on the Sunday shows pushing for schools to reopen this Fall w/ in-person classes
- **Q2 Earnings are expected to be volatile** – The WSJ noting that more than 180 companies in the S&P 500 have pulled their guidance since COVID-19, limiting visibility. This has led to the widest dispersion in EPS estimates among analysts since 2007.
- The **Nasdaq** is now three standard-deviations above its 200-MA for the first time since 2000, says Bloomberg
- **US/French tariffs** - The US is set to target beauty and luxury companies in France after French President Macron said it plans to go forward with tech tariffs, per Bloomberg
- **Hong Kong** - The US is weighing limited options to punish China over its actions against Hong Kong, WSJ
- **Germany's** 16 states are planning to draw an additional €95B to cushion virus fallout

Sympathy Watch

Names like **EL**, **CPRI**, **TPR** may be impacted

Stock-Specific News

Consumer

- **DIS** head of Parks is 'happy' with the pace of booking trends so far for Magic Kingdom, Animal Kingdom
- **JWN positive Barron's note** – as EPS have fallen less than its peers it could eventually be worth the wait for those with patience
- **Brooks Brothers** will receive financing from Authentic Brands and **Simon Property (SPG)**
- Hedge fund Chatham has won the bidding for newspaper-owner **McClatchy** who operates the Sac. Bee and Miami Herald
- **UN** may pull some assets from its tea business, cutting the proposed price-tag for the unit, says Bloomberg

Inside the Hawk Database

JWN buyers active last week in the July \$17 calls over 12,250 accumulating on 7/8 and 7/10

Financials

- **CS** could cut hundreds of jobs, says Bloomberg
- The commissioner of the SEC is calling for better disclosure standards for ESG firms

Healthcare

- **Multiplan set to go public through SPAC in \$11B deal** – The company, currently owned by PE, will merge with CCXX. Their

platform is used by insurance companies such as **UNH** and **CI** to find cost savings in health-care claims.

- **Benefytt (BFYT) to be acquired by Madison Dearborn for \$31/share** – deal expected to close in Q3
- Hedge fund Davidson Kemper says **Thermofisher (TMO)** is paying too little for **Qiagen (QGEN)**, per the FT
- **DGX** positive Q2 pre-announcement citing COVID testing volumes
- **PFE, BNTX** get fast-track designation for their COVID vaccine candidates
- **AXNX** sees Q2 above Street
- **AMGN** bought another \$421M in **BGNE** stock
- **NXTC** gave an update on their Phase 2 NC318 trial and will no longer pursue indications in NSCLC and ovarian cancer
- **Genentech** says Phase 3 study for IMagyn050 failed to meet primary endpoint in ovarian cancer

Sympathy Watch

LH a potential sympathy mover on DGX guidance

Energy

- **OPEC, Russia may ease oil production cuts** – The NYT reporting the group is likely to increase their output in August as coronavirus lockdowns ease and demand begins to rise again
- **XOM** has resumed drilling in Guyana, says Bloomberg
- **WTI** CEO bought \$740K in stock on Thursday/Friday at \$2.15
- **HCR** has filed for bankruptcy, says the WSJ

Materials

- **China Moly** has reached a \$550M precious metals deal with Elliott-backed miner **Triple Flag**
- **VALE** has reached a new supply deal with **Kobe Steel** and **Mitsui**

Industrials

- **Boeing (BA) is scrambling to shore up 737 MAX financing** – Reuters notes that with capital markets unavailable after the collapse in air travel during the coronavirus crisis and banks refusing most new business, only leasing companies have spare financing capacity though many are also fighting their own problems.
- **Chinese electric vehicle maker Li Auto has filed for a US listing**, says Reuters. Li Auto has 21 showrooms in China and aims to operate 60 by the end of this year.
- **Rivian** raised another \$2.5B as it looks to catch-up to **TSLA, NKLA**

Sympathy Watch

FLS a potential sympathy mover on the Neles deal

- Swedish industrial **Alfa Laval** is in talks to buy Finnish valves maker **Neles** for \$1.96B, says Reuters

Tech/Telecom

- **Analog Devices (ADI) to buy Maxim (MXIM) in an all-stock deal** - The WSJ first reporting the news on Sunday that the two sides were in talks on a deal. It is **ADI's** biggest ever and the two sides have been in talks before including most recently in 2015. The deal is seen accretive to adj. EPS in 18 months
- **Nokia (NOK) is a beneficiary of 5G spend, says Barron's** – The publication also notes NOK finds itself in favor with the Trump administration, which has expressed interest in bolstering both Nokia and ERIC in their competition against Huawei
- **ASML a positive write-up in Barron's** – the publication is positive citing strong demand as WFH fuels greater usage of cloud for storage and chip-intensive laptops
- **Facebook (FB) is considering a political ad ban** – Bloomberg notes this comes as a way to cut down on the viral spread of misinformation and voter suppression.
- **Uber (UBER) CEO says ride-hailing will make up only 50% of business going forward** - "Our delivery business is growing at rates that, frankly, I didn't think was possible, and we have doubled up on that," Khosrowshahi told NDTV. "So we're augmenting the organic growth with acquisition as well and I think we're cementing a real leadership position in what's going to be a very, very big market going forward."
- **AAPL** is set to see Macbook pro orders jump 20% in Q3, says Digitimes
- **AAPL** is moving some production out of China, supplier FoxConn plans to invest \$1B in India, says Reuters
- The UK is set to curb **Huawei's** role in their 5G networks, per the FT
- **Ubisoft** has removed three executives after getting hit by complaints of a 'toxic workforce' says the FT
- Trump administration is 'just getting started' on taking strong action against Chinese-owned social media apps, per Bloomberg
- **Audible** has replaced their head of programming after a month, says Bloomberg
- **TSLA** cut the price of their Model Y by \$3,000
- **QCOM** has invested \$97M in India's **Reliance Jio Platforms**
- **HIMX** has named a new CFO
- **WeWork** is on track for profits and positive cash flow in 2021

Inside the Hawk Database

NOK with over 9500 August \$4 calls in OI from buyers in May as well as over 30,000 Jan. 2022 \$4 short puts from Jan.

Analyst Notes

Featured: Global Blood (GBT) initiated Buy at BAML, \$92 PT... We anticipate near-term upside potential to current GBT shares on a strong Oxbryta launch as a novel treatment for sickle cell disease (SCD), based on KOL and survey feedback. As the first potentially disease modifying SCD treatment approved in over two decades and competing molecules several years from market, we believe GBT has sufficient time to capture significant share and establish itself as a "foundation" of treatment. We forecast peak US sales of \$1.6bn in 2027, and \$2.1bn WW.

Upgrades

- **CTVA, CF, NTR** upgraded to Buy at BAML; they upgrade the group citing the dry and hot weather forecasts during the critical reproductive phases of the soybean and corn planting season that are boosting prices.
- **RUN** upgraded to Buy at Keybank, they note the merger with VSLR will create a new industry leader with "commanding" market share, improved economics and higher "investability" due to size
- **CTSH** upgraded to Buy at HSBC, \$68 PT, the firm believes the ransomware impact is behind the company and its relative performance to peers will now improve.
- **DRI** upgraded to Buy at JP Morgan, \$82 PT
- **APHA** upgraded to Buy at Stifel, citing robust sales growth and market share gains
- **ST** upgraded to Buy at Atlantic, \$53 PT
- **DE** upgraded to Outperform at Baird, \$189 PT
- **GBX** upgraded to Neutral at Susquehanna
- **KBH** upgraded to Buy at Seaport

Downgrades

- **RDFN** downgraded to Sell at BAML, while management will likely maintain a "constructive tone" on the housing market, its data suggests that new listings are down 11% in June relative to last year's levels
- **HCA** downgraded to Neutral at BMO, the firm thinks pandemic-induced avoidance of healthcare systems may persist for longer than expected. In addition, the firm sees an overall acceleration of long-term trends away from hospital-based settings as well as potential impact of price transparency with a key Trump administration rule now set to take effect
- **GPK** downgraded to Hold at Jefferies
- **MC** downgraded to Neutral at Goldman
- **ZYXI** downgraded to Neutral at B Riley

Inside the Hawk Database

CTVA a favored name with buyers in the Sept. \$29 calls in June and sellers of the Aug. \$21 puts last week

Inside the Hawk Database

RDFN a potential buy the dip candidate just above a high-volume node at \$33.50 and buyers in the Aug. \$39 calls and October \$55 calls recently. The Aug. \$35 calls also with 1000 in OI

- **WMS** downgraded to Sell at MSCO
- **ITW** downgraded to Sell at MSCO, \$156 PT
- **LEN** downgraded to Neutral at Seaport

Initiations

- **DIS** initiated Buy at Goldman, \$137 PT, well positioned to pivot into direct to consumer video models and that consensus estimates underestimate the profitability of Disney+
- **VIAC** initiated Buy at Goldman, citing "early-mover advantage" in direct to consumer video, and the "mass market awareness and appeal" of its content
- **MRNA** initiated Buy at Jefferies, \$90 PT, Yee believes Moderna's vaccine will get approved and could do \$5B-plus in orders over the next few years
- **DISCA, LGF.A** initiated Neutral at Goldman
- **FOXA, AMCX** initiated Sell at Goldman
- **ADHD** initiated Buy at B Riley, \$70 PT
- **TAL** initiated Buy at BAML, \$91.20 PT
- **AIMT** initiated Buy at Cowen

Other Commentary

- **SDC** positive setup near-term notes Stifel citing modest Q2 expectations and the upcoming launch of the company's wholesale initiative
- **CCL** positive note from Stifel seeing COVID-19 driving the company to become leaner and more efficient
- **NFLX** PT raised to \$625 at BMO citing "solid" 3rd-party data on the company's subscriber trends
- **AAPL** PT raised to \$419 at MSCO, recent survey of 10,000 consumers across the U.S., UK, Germany, China and India indicated that 77% of consumers expect to trade in electronics by 2021
- **ARWR** Piper recommends buying shares into upcoming cardio updates
- Barclays raising PT across internet names into earnings – **PINS, SNAP, FB, EBAY, AMZN, GOOGL**

Earnings Review

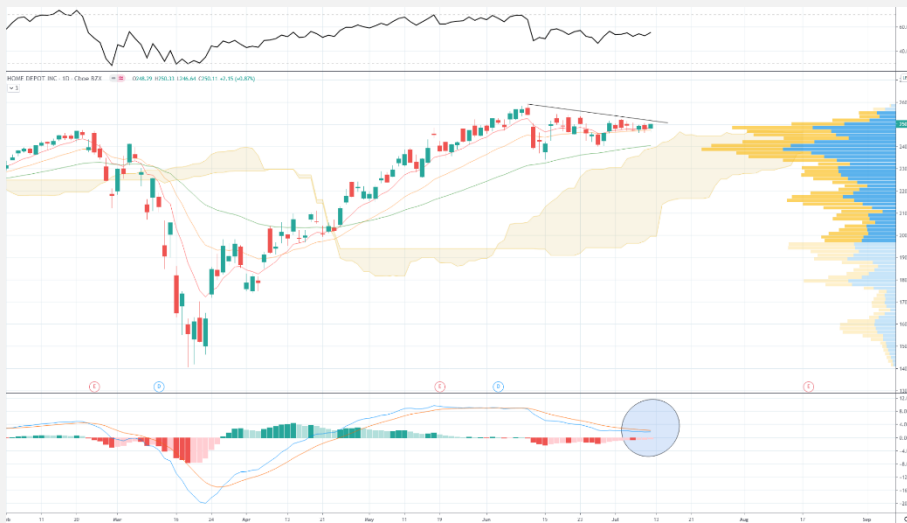
Pepsi (PEP) the lone report this morning, beating on EPS and Revs (\$1.32 vs \$1.25 and \$15,95B vs \$15,38B). They did not give FY guidance.

The snacks business remained "very resilient" with 5% organic revenue growth in Q2, while global beverages declined (7%) as increased take-home consumption was more than offset by a decline in the convenience and gas and away-from-home channels. "Despite being faced with significant challenges and complexities as a result of the COVID-19 pandemic, our businesses performed relatively well during the quarter, with a notable level of resiliency in our global snacks and foods business. Encouragingly, as restrictions and closures eased and population mobility improved as the quarter progressed, we also saw an improvement in our business performance and channel mix dynamics. However, the environment has remained volatile and much uncertainty remains about the duration and long-term implications of the pandemic."

Sympathy Movers on Earnings

KO, MNST, MDLZ – on PEP earnings

Trade Ideas



Daily Technical Scans

'Ready to Run': FIS, ES, EMN, FFIV, ALB, CACC, CREE, DECK, FTDR, DAR, APLS, FLWS, CCS,

Hammer Reversals: ESI, CL, CPRI, SLB, PRO, OXY, AAL, UAL, BA, ICUI, SPR, UNH, PEP, HRL, GRMN, V, NKE, UNP, ORLY, AZO, KSU, MMM, CVX, COP, HAL, NOV, ALLE, CI, MYL

Home Depot (HD) trading in a narrow flag just below new 1-year highs. Shares are consolidating just above the February range and have a measured move up to \$285 on a breakout. HD is also just above 1-year value with MACD set for a bullish cross and RSI coiled just below 60, healthy trends set for a run.

Fundamental Snapshot – Tempur Sealy (TPX) shares trade cheap at 14.4X earnings and 1.13X sales with a growing omni-channel platform, higher-margin mix of sales, and strong sales linearity since March. TPX raised their Q2 outlook in June and lower raw material costs are having a positive impact on the topline. TPX is relaunching in 2,500 Mattress Firm stores this Summer and likely coming off a positive 4th of July.

Small-Cap Focus – Aerovironment (AVAV) is a \$1.83B producer of unmanned aircraft systems for the DoD. AVAV has virtually no debt and trades at 5X sales with expectations for accelerating topline growth into FY23 behind contract wins and expanded product content.

Extras

Netflix (NFLX) buyer of 2,000 January 2022 \$520 calls for \$132.60 as the June 2021 \$490 calls adjust

Intel (INTC) large spread on Friday sold 10,000 October \$52.50 puts for \$1.83 and bought the \$60/\$65 call spread for a net debit of \$0.15

Quest Diagnostics (DGX) with a buyer of 1,000 August \$125 calls late up to \$2.45

Expedia (EXPE) with 1,200 July \$85 short puts rolling to August which open for \$8.99

Ionis Pharma (IONS) with 1,000 January 2022 \$50 synthetic long spreads opening

J&J (JNJ) with a late day buyer of 2,000 August \$145 puts for \$6.25 into 7-16 earnings

Disclosures

Not Investment Advice or Recommendation

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