



Inside Today's Blitz

- IMF Boosts US Growth Outlook but Warns About Inflation
- OPEC+ Remains Deadlocked on Planned Production Hikes
- **HOOD** targeting at least \$40B valuation in IPO, per reports; **Parexel** reportedly in talks to be bought by EQT AB; **SPCE** shares soar as Branson plans July 11 launch; **SCHW** discloses SEC probe

Market Outlook

Futures are indicating a flat open for the day with the **Dow** unchanged, the **S&P** up 2 bps, and the **Nasdaq** up 16 bps. The **Russell** is down 16 bps. Energy is down slightly with **WTI** off by 11 bps. **Natural Gas** is down 25 bps. **Gold** and **silver** both higher today with the latter up 65 bps. **Copper** is up 58 bps. **Grains** have a solid bid this morning. The **dollar** is up 7 bps. **Bonds** are up 51 bps. **VIX** is 17.50. It has been a very quiet morning for macro news so far with all focus on the jobs report in a little while. June payrolls are expected to increase by more than 700,000, the strongest advance since March while concerns over participation rate linger. Elsewhere, the IMF raised their outlook for US growth but warned that the Fed needs to hike by late 2022 to contain inflation risks. The ECB's Lagarde was optimistic about the EU recovery but warned that the situation remains fragile. OPEC is also on watch today for a decision after delaying it yesterday and early reports are that they have not yet resolved their standoff. Based on reporting from Bloomberg and others it appears that a 400K BPD hike between August and December seems most likely while the UAE remains a holdout and wants more.

Asian markets are mixed this morning with Hang Seng down 1.8%, Shanghai down 1.95%, and the Nikkei up 27 bps. China stocks are weak today with chatter that the government will be less supportive of market now that the Communist Party anniversary has passed. In Europe, the major indices are up slightly today with the DAX up 46 bps, CAC up 10 bps, and the FTSE up 12 bps. We're seeing outperformance in industrials and tech while banks and energy lag. Semiconductor **ASM International** was higher by 2% after raising their outlook for the year. **ASML** is higher by 1.5% after reports that Micron will begin using their EUV machines in 2024. **Volkswagen** is higher by 1% after sales data showed they had the best first half in nearly 50 years. Denmark's **Ambu** fell 14% after the single-use medical device maker cut its profit outlook.

Calendar

Today... Jobs Report and Durable Goods

Next Week... it will be a very quiet week. The big focus will be on ISM on Tuesday and FOMC minutes on Wednesday. We'll also get China inflation data and the G20 Ministers meeting starts. Earnings are very quiet with **LEVI**, **HELE**, **SGH**, and **MSM**.

Overnight Markets

Copper	4.272	0.85%
Silver	26.28	0.67%
Gold	1787.6	0.61%
VIX	17.5	0.15%
US Dollar	92.63	0.02%
Oil (WTI)	75.05	-0.25%
Natural Gas	3.645	-0.45%

Technical View



Key Levels to Watch

S&P futures (ES_F) with a very, very quiet night ahead of the jobs report. We had a brief run around 2am up to 4318 but spiked back down and settled into a range around 4312.5 where VWAP sits flat. Support was at yesterday's close around 4309.5. Areas of interest today above yesterday's range include 4319.25, 4328.75, and 4338. Below support is at 4300, 4291.25, and 4282.

Economic Data

- **Eurozone** PPI was 9.6% vs 7.6% prior
- **South Korea** CPI was 2.4% vs 2.5% est.
- **US auto sales** were 15.36M in June vs 16.5M est.

Macro News

- **IMF** says that Fed rate hikes need to start in late 2022 or early 2023 to contain inflation risks, per Bloomberg
- **IMF** is boosting their outlook for US jobs, per The Hill, but assumes passage of Biden's Jobs plan
- **US CBO** doubled their growth outlook to 7.4% but sees the deficit rising to \$3T in FY21, per CNBC
- **Fed's Harker** endorsed the idea of tapering this year in the WSJ
- **The FTC** voted to revoke a 2015 policy statement around tech regulations, per CNBC, a precursor to expanded antitrust enforcement
- **ECB's Lagarde** says the Eurozone economy is recovering well but still fragile, per Reuters
- **Japan** may ban spectators at the Olympic as COVID continues to surge in the country ahead of the opening, per Reuters

Movers

Gainers: SPCE 30%, CREE 4%, FEYE 4%

Losers: VRAR -14%

Insider Buying

ACNB, SIVB, ASAN, KOD

IPO Calendar

Didi Global (DIDI) raising \$3.9B at a \$67.5B market cap, China's dominant ride-hailing app

Sentinel One (S) raising \$880M at a \$8.2B market cap, AI-powered cyber security platform

Krispy Kreme (DNUT) raising \$600M at a \$3.8B market cap, doughnut shop operator

LegalZoom (LZ) raising \$488M at a \$5B market cap, online platform for legal and compliance solutions

Stock-Specific News

Consumer/Business Services

- Web marketplace **Cars24** could see its valuation double to \$2B in latest funding round, per Bloomberg
- **DENN** is struggling to hire workers as people remain hesitant to work inside restaurants amid COVID's latest surge, per CNBC
- China has launched a cybersecurity review of **DIDI**, per Bloomberg, and has asked the company to halt new registrations while the review is ongoing
- **GENI** gets sports wagering license from W. VA lottery

Financials

- **Robinhood (HOOD)** is targeting a valuation of \$40B in IPO, says FT.
- **SHUSA** has submitted a proposal to acquire **Santander Consumer (SC)** for \$39/share. The proposal represents a 7.4% premium to Wednesday's closing price of \$36.32 and a 30.4% premium to SC's average share price since January 1.
- **SCHW** is responding to an SEC probe on compliance, expects \$200M charge in Q2
- **COIN** to expand international payments options for institutional customers, per Bloomberg
- **HMN** is raising their FY outlook due to strong Q2 investment income returns and lower catastrophe losses
- **CBOE** says June ADV was 18.4M contracts
- **AJG** acquires Edelweiss Gallagher Insurance Brokers
- **Manhattan office markets** are still weak, per NYT, with 18.7% of all space available to lease which is near record highs

Healthcare

- **Parexel** is in talks to be acquired by EQT AB and Goldman's investment arm for \$9B, per WSJ. Parexel runs clinical trials and provides other services for drugmakers
- **JNJ** said their COVID vaccine has shown strong results against the delta variant in small trials, per WSJ. This means all three major COVID vaccines have shown promise against the new strain
- **GSK** has rebuffed Elliott's latest demand to sell their consumer unit, per Reuters. The firm wants Glaxo to consider separating the business from the pharma side

Hawk Database

COIN back at the rising 8-EMA yesterday and on watch for a potential reversal off of June value at \$240 with buyers active this week in the Aug. \$280 calls, December \$250 calls and June 2022 \$450 calls

On the Chart

JNJ nice base breakout yesterday and above \$166 and through the June value high can run to \$170

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- **ALEC** announced a partnership with Glaxo to co-develop Parkinson's, Alzheimer's drugs, AL001 & AL101; Co. to receive \$700M upfront and up to \$1.5B milestone payments
- **ARWR** has paused their ARO-ENaC Phase ½ trial immediately
- **ITRM** says FDA identifies deficiencies as part of NDA review

Industrials

- Swedish engineering firm **Valmet** is buying the remaining stake in valve maker **Neles**, per Reuters
- **SPCE** announced a July 11 launch date for their first manned flight, per CNBC, with founder Richard Branson onboard. This is ahead of the July 20 launch for Bezos's Blue Origin
- **Mitsubishi Electric** CEO to resign over falsified data, per Nikkei; The company used a fake-data program for rail equipment since the 1980s
- **BMW** says that the chip supply situation remains 'really critical' and they need to continue to do everything they can to soften its impact, per Reuters
- **The White House** will push for even more strict **emissions** rules for autos, says NYT, as a push to drive sales of EVs
- **RTX** awarded \$2B Air Force contract

Energy & Materials

- **CVX** announces \$4B Jansz-Io Compression project to proceed

Tech/Telecom

- **Amazon (AMZN)** is targeting **Microsoft (MSFT)** in the productivity software market, per NY Post. The company has been talking about forming alliances with **DBX**, **Slack**, **SMAR** and others to create a bundle of apps to be purchased for a single price
- **ASM International** says Q2 is tracking above forecasts; firm sees orders of €500M vs €420M to €440M prior due to a pull forward in demand
- **ASML** says Micron to start using ASML EUV machines in 2024, per Reuters
- **QCOM's** new CEO is eyeing dominance in the laptop market, per Reuters, and says the company has the best chip to compete with **AAPL**
- **AAPL**, **AMZN** hit with antitrust investigation by Spain's CNMC
- **BABA's** Jack Ma and Joe Tsai have pledged their shares in the company to collateralize large personal loans, per FT
- **AAPL**, **INTC** are both testing **TSM's** new 3nm production technology, per Nikkei, and could begin deploying it next year
- **SHEN** declares \$18.75/share special dividend
- **Infineon** says the chip situation has worsened in some areas, per Reuters

On the Chart

CVX nice weekly flag forming under \$110 and a breakout has a lot of room to run with an upside target around \$130

On the Chart

QCOM is starting to break out of a multi-month base above \$140 and yesterday's pullback into the 8-EMA on watch for a reversal and continuation higher

Analyst Notes

Upgrades

- **PNC** upgraded to Outperform at Wolfe, the analyst is excited about PNC's ability to grow revenues above industry average with the BBVA acquisition completed. Also, after having recently met with PNC's Chief Information Officer, he now believes PNC is farther along its cloud journey than peers and expects this to give it a competitive edge in new product development and innovation in coming years
- **EHC** upgraded to Buy at Detusche Bank, the analyst finds the stock's risk/reward compelling at current share levels. Investors have taken the announcement of Barbara Jacobsmeyer as the CEO of the Home Health and Hospice division and Crissy Carlisle as the CFO as indicators that a spinoff is more likely than a company sale
- **ABB** upgraded to Buy at Kepler
- **NSA** upgraded to Outperform at Baird

Downgrades

- **KEYS** cut to Equal Weight at Barclays
- **BHP** cut to Sell at Liberum
- **WBT** cut to Neutral at CL King
- **WISH** cut to Neutral at Evercore

Initiations

- **CWH** started Outperform at Raymond James, uniquely positioned in a very healthy domestic RV industry to continue to gain meaningful market share, thanks to its growing dealer footprint and expanding into higher margin and less cyclical sources of revenue
- **THO** started Underperform at Raymond James, the cautious stance is based on concerns over the company's ongoing share erosion in the North American towables market and the fact that its margins remain below their recent peak despite massive COVID-related tailwinds
- **HQY** started Overweight at Stephens
- **DOOO** started Strong Buy at Raymond James
- **ABBV** started Outperform at Daiwa
- **ARCT** started Overweight at Cantor
- **IIPR** started Outperform at Wolfe

On the Chart

ABBV nice weekly wedge building under \$115 with a breakout run targeting \$125

Other Notes

- **TSLA** India could be major opportunity, says MSCO. The firm's India team forecasts Indian battery electric vehicle volume to surpass 200,000 units by 2025 and for the Indian BEV market to account for 10% of global BEV volume by 2035
- **AXP, COF, SYF, DFS** estimates raised at Credit Suisse; Credit quality showed continued improvement in Q2, while loan balances are now growing at each of the issuers. Given the continued very strong credit quality the analyst is now even more bullish on credit losses and lowered his expectation on losses across the board

Hawk Database

AXP bullish flows this week including 5000 September \$170 calls bought on 7/1 and sellers in the Sept. \$150 puts

Trade Ideas

Sonos (SONO) hitting the 'ready to run' scan today with shares looking to break out of a multi-week bull wedge above \$36. Shares are back above the 8- and 21-MA and nearing a bullish crossover after clearing a downtrend from the April highs. A run higher targets \$38 and then up through a low-volume node to \$40. SONO has seen buyers recently in the October calls and explosive longer-term potential as it continues the bull trend from 2020.



Technical Scans

Inside Days: GH, ACAD, HOLX, TFX, AES, DGX, TEAM, BX, OTIS, COUP, TNET, AJG, ADSK, ROP, ALNY, CARR, BMY, AMD, LII, CRSP

Bullish Reversal Days: PRGO, FROG, DT, FTCH, MNDY, FTNT, CHRW, VEEV, TM, SLQT, BLKB, SSNC, SRPT, CHKP, PAYC, PEN, REG, HUB, O, WD, CRNC, IRDM, VRNS, QTWO

Ready to Run: HUBG, SONO, JNJ, GPN, XLRN, SCHW, LPLA, ADP, DIS, ODFL, KAR, GPI, EOG, MGM, FDX

Small Cap Options Flow

Cohu (COHU) interesting small-cap that drew 28X average call volume on 7/1 with buyers in the July \$40 and November \$45 calls. COHU doesn't have a lot of other notable open interest. COHU shares are coiled in a narrow range under \$38 and coming off of an inside month in June. A break higher has room to \$45 and a high-volume node from earlier this year. COHU is in a strong longer-term trend trading up from \$15 in mid-2020 to \$50 earlier in 2021. The \$1.8B company trades 11X earnings, 2.5X sales, and 6X cash. COHU is within the

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semiconductor test group with inspection equipment and a PCB business in China and the US. They supply handlers, micro-electromechanical system (MEMS) test modules, test contactors, thermal sub-systems, and much more. COHU is benefitting from the growth in complexity for chips, especially across automotive and mobile with the latter driving demand for testing due to 5G's accelerated rollout. New smartphone models are also seeing increased RF content per handset which is supportive of advanced testing packages. COHU saw 51% growth in automotive revenues in Q1 with improved utilization rates by both US and ROW customers. The company recently divested their PTG business to Mycronic for \$125M in cash which they'll use to fund future growth endeavors. Analysts have an average target for shares of \$56.50 with a Street High \$70 from Craig Hallum. The firm thinks Cohu is positioned well with multiple strong secular drivers, particularly across automotive and mobility. Cowen positive on 4/14 as the analyst believes WFE is in a multi-year boom despite recent concerns of it peaking in 2021. Short interest is 2.44%. Hedge fund ownership rose 10% in Q1. TimeSquare and Driehaus both adding new stakes.

Open Interest Checks

Ticker	Contract	Prior OI	New OI	OI Change
MA	October \$370 Calls	1,527	5,038	229.93%
TAL	January \$18 Puts	10,488	20,675	97.13%
APLS	October \$75 Calls	2,741	5,241	91.21%
HZNP	August \$100 Calls	2,343	3,963	69.14%
NKLA	August \$18 Puts	5,572	9,127	63.80%
SWCH	Jan. 2023 \$15 Calls	3,109	5,068	63.01%
SAVE	December \$35 Calls	1,550	2,475	59.68%
KPLT	October \$12.50 Calls	2,715	4,057	49.43%
FISV	September \$115 Calls	4,350	6,455	48.39%
COIN	August \$280 Calls	2,234	3,246	45.30%
EXPE	August \$170 Calls	7,725	8,383	8.52%
BABA	October \$250 Calls	11,631	12,365	6.31%
DISCA	August \$32.50 Calls	4,300	4,548	5.77%
JD	September \$82.50 Calls	11,568	7,880	-31.88%

Extras

Sirius (SIRI) with 3,350 December \$6 calls bought for \$1 to open today, spread with a sale of the August 6th (W) \$6.50 calls

Affirm (AFRM) big pickup in front-month IV late with 2750 July \$70 calls bought for \$2.45 to \$2.50

Comcast (CMCSA) buyer of 5000 March 2022 \$65 calls for \$2.21

AMC Networks (AMCX) with 600 August \$67.50 puts ought for \$7.30 to \$7.90 with the late-day weakness

Allakos (ALLK) late buyer of 350 January \$100 calls for \$26

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Stamps (STMP) buyers of 200 August \$200 puts for \$14.60 to \$14.80

Dow Jones (DIA) buyer of 1000 June 2022 (Q) \$345/\$360 call spreads for \$7.54

S&P (SPY) with 10,000 August 2nd (W) \$395/\$385 put spreads bought this afternoon to open

Homebuilders (XHB) spread this afternoon sold 5000 September \$67 puts for \$1 to buy the December \$78/\$90 call spread 5000X for \$2.53, exposure to not just LEN, DHI, and other builders but also CARR, FND, HD, LOW, JCI, FBHS and others

What They're Saying

Acuity Brands (AYI) on their M&A strategy... "There are really 2 buckets there. First is adding to our existing businesses. We're proud of the addition of OSRAM in the digital solutions business to our portfolio. What does that allow us to do? It allows us to, number one, control the technology in our luminaires and our ability to innovate faster and scale. The second is it provides us a path to the rest of the market to participate in an OEM business that supplies other manufacturers. And finally, it allows our supply chain to be more robust and resilient going forward. We're really pleased about the addition of Rockpile. It brings to us an additional capability. The ability to participate in earlier-stage companies focused on Edge AI, which are consistent with the direction we want to go as we make spaces intelligent. We think there's an opportunity to continue to deploy capital to accelerate that. We're excited over the next 12 to 36 months to have the opportunity to add another large business to our company. So what are we looking for? We're looking for sectors that have systemic growth opportunities where we have the opportunity to demonstrate what we've done in our Lighting and Lighting Controls business, the introduction of Better, Smarter, Faster, the transformation that we've done there, and our ability to develop technology like we're doing in our spaces group to revolutionize another sector. We're confident that we can create significant value when we do that. AYI is the market-leading Lighting and Lighting Controls business in North America that we've returned to growth at attractive margins and returns. It's the option for us to build a very valuable business in technology by finally making spaces intelligent. It's the ability for us to deploy capital to grow these businesses and to add new businesses to our company."

Disclosures

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