

**TOP STORIES**

- Kudlow: Recent Calls with China ‘More Positive’ than Reported
- US Will Delay Huawei Ban by 90 Days
- Report: German Coalition Government Prepared to Launch Stimulus
- China Considering Rate Steps to Lift Sentiment
- Eurozone Inflation Slows to Weakest in More than Two Years

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2920 (28.5)</b>	<b>30.67</b>
<b>Nasdaq</b>	<b>7697.25 (85.5)</b>	<b>85.14</b>
<b>Dow</b>	<b>26160 (253)</b>	<b>279.99</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7187.39</b>	<b>0.99%</b>
<b>DAX</b>	<b>11694.05</b>	<b>1.14%</b>
<b>Nikkei</b>	<b>20563.16</b>	<b>0.71%</b>
<b>Hang Seng</b>	<b>26291.84</b>	<b>2.17%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>10:00</b>	<b>E-Commerce Retail Sales</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1105 (0.14%)</b>
<b>USD/JPY</b>	<b>106.57 (0.20%)</b>
<b>USD/CAD</b>	<b>1.3258 (-0.09%)</b>
<b>GBP/USD</b>	<b>1.2118 (-0.26%)</b>
<b>USD</b>	<b>98.03 (0.02%)</b>

**COMMODITY**

<b>Oil</b>	<b>55.25 (0.69%)</b>
<b>Natural Gas</b>	<b>2.171 (-1.32%)</b>
<b>Gold</b>	<b>1509.9 (-0.90%)</b>
<b>Copper</b>	<b>2.617 (0.85%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>18.47 (-12.8%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>21.51 (-13.24%)</b>
<b>Oil</b>	<b>OVX</b>	<b>35.02 (-3.26%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>16.86 (-9.94%)</b>

**MARKET OUTLOOK**

Futures are indicating a higher open to kick off the week ahead of the Fed’s annual meeting. A lot of eyes on Jackson Hole, Wyoming starting on Thursday with current expectations are for a 25 bps cut in September with an 11.9% probability of a 50 bps cut. POTUS said that the US and China are still talking with the US “doing very well.” Larry Kudlow downplayed some of the negativity from last week saying the two sides remain on track for an update next month. Sec. Commerce Ross confirmed a report this morning that the US would delay Huawei ban by 90 days. They also added 40 more subsidiaries to the entity list. Oil prices are rising today after an attack on Saudi installations in Yemen. In the UK, opposition leader Jeremy Corbyn promised to do everything necessary to stop a no-deal Brexit.

Asian markets are higher this morning driven by hopes of stimulus to help stem the slowdown across the global economy. US/China trade remains a headwind. China unveiled a new benchmark interest rate to be launched on this week to help lower borrowing costs and support the lagging economy. Japanese exports fell less than expected in July, down 1.6% vs down 2.2% forecast. Imports also improved. **FamilyMart** was higher by 11.5% after the c-store operator said it was buying a stake in **Pan Pacific**.

European markets are strong this morning and rising to session highs mid-day. A report from Der Spiegel said that Germany’s coalition government was prepared to launch stimulus steps to counter a recession. Eurozone CPI came in light at 1.0% vs 1.1% forecast and down from 1.3%. Financials are leading with **Deutsche Bank** up 3% and **HSBC** higher by 1%. **Bayer** is atop the Stoxx 50 today, higher by 3%.

**Aramark (ARMK)** in focus today with Mantle Ridge and its affiliates disclosing a 20% active stake. The firm plans to hold talks with management about strategic direction, board composition, and other matters. In May, Reuters reported that Mantle Ridge was considering a takeover bid for the company. Nomura raised their PT to \$50 and upgraded to Buy. They hope the move helps fix execution mishaps.

**S&P TECHNICALS**

**Levels:** Support 2,825/2,800; Resistance 2,975/3,000



5976 Advancing	Declining 1358
77.4%	17.6%
229 New High	New Low 184
55.4%	44.6%
2492 Above SMA50	Below 5142
32.6%	67.4%
3424 Above SMA200	Below 4210
44.9%	55.1%

**KEY EVENTS TODAY**

**Earnings After the Close:** BIDU, FN, IQ

**Economic Data tomorrow...** Redbook at 8:55 AM, Randal Quarles Speaks at 6:00

**International Data:** German PPI

**International Earnings:** Pandora A/S

**Earnings Before the Open:** CCM, HD, KSS, MSG, MDT, PLAB, PINC, SE, SDRL, SFL, TJX

**ANALYST ACTION/COMMENTS**

**Range Resources (RRC)** upgraded to Buy at MKM

**Sonos (SONO)** upgraded to Strong Buy at Raymond James

**Aramark (ARMK)** upgraded to Buy at Stifel; upgraded to Buy at Nomura

**CNH Industrial (CNHI)** upgraded to Overweight at MSCO

**Corteva (CTVA)** upgraded to Buy at Citi

**Ares Capital (ARCC)** upgraded to Outperform at BMO

**Deckers (DECK)** upgraded to Buy at Pivotal

**Aecom (ACM)** upgraded to Overweight at Barclays

**Ceridian (CDAY)** upgraded to Buy at Jefferies

**Air Products (APD)** downgraded to Neutral at SIG

**Whiting (WLL)** downgraded to Neutral at Stephens

**Amgen (AMGN)** downgraded to Neutral at Mizuho

**Castle Bio (CSTL)** initiated Buy at Canaccord, \$26 PT

**ProSight (PROS)** initiated Buy at BAML

**Health Catalyst (HCAT)** initiated Outperform at Evercore

**Livongo Health (LVGO)** initiated Overweight at Piper

**MEDIA HIGHLIGHTS**

**Apollo (APO)** sent formal letter with offer to **Tegna (TGNA)** board in February - WSJ

CDC investigating lung illness linked to e-cigarette use (**MO, PM**) - Reuters

**Novartis (NVS)** executive sold shares before data manipulation made public - Reuters

**J Sainsbury's** not talking to internal candidates for CEO succession - Reuters

**Softbank** plans to lend up to \$20B to employees to invest in new fund - WSJ

**Apple (AAPL)** CEO Tim Cook warns Trump about China tariffs - Reuters

Trump does not want to do business with **Huawei** - Reuters

US could place tariffs on tomatoes from Mexico as soon as this week (**KHC, CVGW**) – Bloomberg

**JP Morgan (JPM)** will speak to clients Tuesday about market volatility - Reuters

**Mastercard (MA)** aims to assemble a cryptocurrency team of employees - NY Post

A judge has ruled that **PG&E (PCG)** can stay in charge of its bankruptcy – WSJ

**Axiata's** \$3B Tower Arm Draws M&A Interest – Bloomberg

Activist fund KCGI eyes stake in **Asiana Airlines** – Reuters

**Centerbridge** nears \$1.5B deal for **GoHealth** – Reuters

Hundreds of landlords exposed to **WeWork (WE)** via rental commitments - FT

Updated Volcker Rule expected this week -WSJ

**Airbus** using AI to save millions on finance tasks - WSJ

**STOCK SPECIFIC NEWS OF NOTE**

**Cardiovascular Systems (CSII)** presents LIBERTY 360 three-year outcomes data

**Tesla (TSLA)** relaunching solar-panel business with no-contract rentals

**PolyOne (POL)** to sell PP&S business to SK Capital Partners for \$775M in cash

**Empire Resorts** to be acquired by Kien Huat, Genting Malaysia for \$9.74 per share

**Amazon (AMZN)** beats IRS appeal in U.S. tax dispute

**PRE-MARKET MOVERS**

**Moving Higher:** TLRD 14.4%, WB 6.8%, IQ 4.5%

**Moving Lower:** DVA -3%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** STKL, UAL, OAS, CFR, RM, CNDT, CCO, PENN

**Selling:** WBA, HOPE, AZO, PSMT, MTCH, TTEK, SBAC, RL, HRC, HON, WEN, EE, CL

**POTENTIAL SYMPATHY TRADES**

ULTA, COTY, TIF, SBH – on EL earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Avalara (AVLR)** with 1000 November \$80 calls opening \$13.30 in an unusual large trade for the name. The \$6.25B software company offers cloud-based solutions for tax compliance and trades 16X EV/Sales with revenue growth of 27% in 2018 and 34% expected in 2019. They integrate across a number of platforms like NetSuite, Workday, and SAP which allows businesses to seamlessly integrate AVLR into their workflow. There's a big market for their services as well. They see an \$8B TAM in the US alone with over \$377B of sales taxes collected in the US and over \$445B of other transaction taxes. They see \$1T in B2C cross-border e-commerce by 2020. Another positive driver is the recent SCOTUS ruling on tax obligations for remote sellers (SD vs Wayfair). Avalara has a Tax Advisory Services to help firms stay compliant. Shares are in a strong uptrend with a recent pullback holding strong at the rising 13 week EMA and this week held the 8 week level and now looking to work out of a range to new highs. Analysts have an average target just over \$100 and short interest fairly low for a high valuation name at 3.8% of the float. Stephens started coverage at Overweight with a \$105 target in late July noting the company is leading a transformation in the way transaction taxes are calculated and remitted. Stifel raised to Buy with a \$100 target after the latest quarter citing accelerating revenue, billings, and customer count growth, as well as net revenue retention improving to 111%. Hedge Fund ownership was down 19% in Q2 filings, a notable new position for Whale Rock.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.656	Rising – Cautious
CBOE Index Put/Call Ratio	1.13	Rising – Cautious
CBOE Skew Index	113.48	Multi-Week Lows
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	21	Extreme Fear
NYMO	-9.39	Neutral
NYSE New Highs – New Lows	35	Neutral
McClellan Summation	262.84	Below 8-EMA
Univ. of Michigan Consumer Sentiment	98.4 (July)	+0.5% Y/Y

**SMART MONEY (13g/13d Filings)**

Icahn raises **Conduent (CNDT)** stake to 18.05%

Starboard lowers **Perrigo (PRGO)** stake to 5.0%

Triam Fund lowers **Wendy's (WEN)** stake to 18.6%

**IPO MONITOR**

**SECONDARY MONITOR**

**Berry Petroleum (BRY)** to sell 46.8M shares for holders

**Provident Bancorp (PVBC)** announces 13.22M secondary share offering

## TRADE

### WEEKLY TECHNICAL BREAKOUT

**EHTH:**



**E-Health (EHTH)** shares consolidating in a multi-week range under \$110 and the post-earnings highs with a breakout targeting \$130. MACD and RSI both elevated but pulling in from recent highs. EHTH has been in a strong long-term trend and showing relative strength recently.

### FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Ionis Pharma (IONS)

**Price:** \$69

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>27X</b>	<b>12.8X</b>	<b>7.7X</b>	<b>51.6X</b>	<b>63.7X</b>
<b>Industry Avg.</b>	<b>23.2X</b>	<b>9.3X</b>	<b>5.6X</b>	---	---

**Analysis:** IONS is a \$9.67B company which trades 27X earnings and 12.8X sales with a sizable cash position on hand. The company has been under pressure over concerns about Spinraza but a deep, underappreciated pipeline in Huntington's disease. IONS is launching Waylivra in Europe this quarter, a near-term driver.

## IDEAS

### WEEKLY TECHNICAL BREAKDOWN

**SM:**



**SM Energy (SM)** shares consolidating in a multi-week range near new lows with a breakdown under \$8.50 setting up for a new leg lower. The move targets \$6 but below the 2016 lows could see notable pressure on the stock.

### PAIR TRADE OF THE WEEK

**Industry:** Mall REITS

**Long/Short:** Long **Kimco (KIM)**, Short **Tanger Factory (SKT)**

**Analysis:** KIM trades around 1.5% book with a 6% yield and strong ROE/ROI. KIM expects to return to strong growth in 2020 and jettisoning some weaker parts of their portfolio recently. SKT faces a shrinking footprint and negative same-center NOI.

### SMALL CAP TRADE OF THE WEEK

**Cavco (CVCO)** is a \$1.72B residential construction company which trades 19.5X earnings, 1.75X sales, and 8X cash. CVCO is guiding to high-single digit EPS growth and 21.9% revenue growth next year. CVCO is one of the largest manufacturers of modular homes, vacation cabins and park model RVs. CVCO is coming off another strong quarter with expanding gross margins.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Waitr (WTRH)	Pivotal (PVTL)	Waitr (WTRH)
Exelixis (EXEL)	Welbilt (WBT)	Hornbeck (HOS)
Viavi (VIAV)	Aimmune (AIMT)	Exelixis (EXEL)
SemGroup (SEMG)	Navient (NAVI)	Tilray (TLRY)
Frontline (FRO)	Interpublic (IPG)	Cabot (CBT)
Retrophin (RTRX)	Elanco (ELAN)	Cyrus One (CONE)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
InterXion (INXN)	Navient (NAVI)	Telefonica (TEF)
Frontline (FRO)	Steelcase (SCS)	Pivotal (PVTL)
Waitr (WTRH)	Carters (CRI)	GE
Spectrum Pharma (SPPI)	American Axle (AXL)	PagSeguro (PAGS)
First Energy (FE)	Lamar (LAMR)	JC Penney (JCP)
Criteo (CRTO)	Gap (GPS)	Evolent Health (EVH)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Dropbox (DBX)	Aimmune (AIMT)	Adverum (ADVUM)
Scientific Games (SGMS)	Vector (VGR)	Medicine Co (MDCO)
Knight Swift (KNX)	AT&T (T)	PG&E (PCG)
Credit Suisse (CS)	Freeport (FCX)	Retrophin (RTRX)
Sina (SINA)	Morgan Stanley (MS)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Microsoft (MSFT)	Silver (SLV)	Navient (NAVI)
Apple (AAPL)	Health Insurance (HIIQ)	Interpublic (IPG)
Micron (MU)	Gold (GLD)	Elanco (ELAN)
Netflix (NFLX)	Treasury (TLT)	Exelixis (EXEL)
Nio (NIO)	Snap (SNAP)	Viavi (VIAV)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Citi (C)	Seagate (STX)	PLCE, September \$70/\$60 put spread 1,250X2,500
Fox (FOXA)	Gap (GPS)	RTRX, 5,000 September \$20/\$30 call spreads
Dell Tech (DELL)	Linde (LIN)	KNX, 4,000 September \$35/\$30 long strangles
Prudential (PRU)	Accenture (ACN)	NFLX, 6,000 September \$300 synthetic long spreads
Strayer (STRA)	Cabot (CBT)	WDAY, 1,405 Aug. 30th (W) \$200/\$220 call spreads

## News and Notes

China smartphone AP shipments to drop 7.6% in 3Q19 – Digitimes

Cloud server shipments to rise on demand from US, China in 4Q19 – Digitimes

**Aluminum** hits two-week high as China unveils rate reforms – Reuters

**Juul (MO)** raises \$325M in equity and debt financing – Reuters

**Yandex (YNDX)** looks at 10-fold increase in driverless car fleet to speed up testing – Reuters

**Bright Horizons (BFAM)** Straddles the Juggle – WSJ

A Hot S&P 500 Stock Is All About Bonds (**MKTX**) – WSJ

**Norwegian Air** to sell stake in banking company Norwegian Finans for \$246.7M – Reuters

**DryShips (DRYS)** to be acquired by SPII Holdings for \$5.25 per share in cash

**Tailored Brands (TLRD)** raises Q2 outlook

**Vanda Pharma (VNDA)** receives CRL from FDA on sNDA for HETLIOZ

## Extras

**Apple (AAPL)** seeing the Sep. 6th (W) \$205/\$220 call ratio spreads open 3000X9000

**Intel (INTC)** late day buys 800 November \$48 calls \$2.17 offer

**Las Vegas Sands (LVS)** afternoon sweep buys 2000 December \$52.50 calls \$3.85 to \$3.95 offer

**Dillard's (DDS)** with 1800 January 2021 \$50 puts opening \$13.30 late day

**Morgan Stanley (MS)** late buyer 1,275 September \$39 calls \$1.97 to \$2.04 offers

**Schwab (SCHW)** with 1500 January \$38/\$45 call ratio spreads bought

**Chevron (CVX)** stock replacement opened 1,500 December \$115 calls for \$6.35

**Amarin (AMRN)** buyer of 5000 September \$15 straddles for \$2.10

**Lattice Semi (LSCC)** buyer of 1000 December \$17.50 puts for \$1.50

**Wright Medical (WMGI)** with 1500 January \$22.50 calls opened \$1.65 offer

**Okta (OKTA)** with 630 Sep. 27<sup>th</sup> (W) \$139 calls opening \$5.65 as August calls adjusted

**MSCI (MSCI)** with 300 March \$220 calls opening \$26 and 350 of the \$240 calls opening \$16.90

**New Oriental Education (EDU)** with 1600 September \$110 calls bought on Friday up to \$2.90 and follows put sales earlier in the week at the October \$90 and January \$95 strikes. EDU has also seen put sales in the January \$85 and \$70 strikes. EDU's bullish flow comes with peer **TAL Education (TAL)** also drawing call buying and put sales recently. EDU has outperformed TAL up 89.12% for the year vs 26.51% while the 1-year return is 25.46% vs 5.66%. Shares are consolidating in a bullish flag under \$108 and pulled back to the 8- and 21-EMA the last two weeks where it has based. A move higher targets \$116 but also puts it above the early 2018 highs. The \$16.66B company trades 23.47X earnings, 5.4X

sales, and 6.1X cash with 25% to 30% EPS growth. EDU expects 24.3% and 22.6% sales growth. The company is coming off of a strong quarter with their primary program, K-12 after-school tutoring, up 28.5%. Their Middle and High School tutoring businesses also jumping 27%. EDU continues to expand their footprint with square meters of classroom up 24% in Q4. Analysts have an average target for shares of \$91. MSCO with a \$105 PT in mid-June citing improving operations and industry consolidation as factors. TH Data Capital with a \$115 PT. The firm notes, "The current major risk for education companies is government regulations, specifically for online education, as regulations for offline occurred in 2018. However, we expect demand for off-school education to remain strong, whatever the policies may be." Short interest is 2.8%. Hedge Fund ownership fell 16.5% in Q2 filings. Harvest Fund, Hillhouse Capital, and DSM Capital notable holders.

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
EL	Estee Lauder	\$0.64	\$0.54	\$3,590.00	\$3,525.81	9.00%	FY Above
QIWI	QIWI	\$31.58		\$5,563.00	\$5,737.50	23.30%	
SINA	SINA	\$0.76	\$0.51	\$533.00	\$519.55	-0.80%	
WB	Weibo	\$0.68	\$0.60	\$431.80	\$434.79	1.20%	FY In Line

### Earnings Preview

**Children's Place (PLCE)** will report earnings on Wednesday before the Open with the Street looking for \$0.17 on \$425.1M, a 5.3% decrease Y/Y. Next quarter is guided to \$3.49 and \$535.7M while the FY is \$6.16/\$1.94B. Shares have closed lower each of the last six with an average move lower of 7.95%. 30-day IV is in the 96th percentile of its year-long range. Skew is slightly bullish with the 25-delta P/C spread at 2.3% vs 3.8%. The \$1.31B retailer trades 9.33X earnings, 0.68X sales, and 18.9X FCF with a 2.83% yield. PLCE expects double-digit EPS growth in FY21 and FY22, reversing a multi-year trend. Sales growth is in the low-single digits. Margins have been under pressure since early 2018 but flattened out a bit last quarter. PLCE has faced pressure recently given a near 70% overlap with Gymboree and Crazy 8 which are both going through a liquidation. Sales fell 5.5% last quarter while profits edged slightly higher as they cut some expenses. PLCE is also seeing higher penetration of their low-margin e-commerce business. In May the company noted their exposure to China was 'far less than competitors' which gives them another advantage. "That said, additional tariffs on the remaining imported products from China would have an adverse impact on our profitability." Analysts have an average target for shares of \$124.50. Deutsche Bank upgraded to Buy on 8-15 with a \$103 PT. DA Davidson positive on 7-23. They urged investors to look beyond the near-term quarter-end concerns about comps weakness. PLCE remains positioned to pick up about 1.5% in market share over the next several years as the "only focused children's apparel player in the mall". They continue to have competitive advantage of sourcing which can lead on higher pricing. BAML has shares at Neutral and they think PLCE's ability to successfully take pricing is a key focus of investors now that GYMB is out of the marketplace. Short

interest is 44.4% and rising sharply this year, up from 15.7% in early February. Hedge Fund ownership rose 21.4% in recent filings. Balyasny, Scopus Management, and Davidson Kemper notable holders.