

TOP STORIES

- Trump Administration Considering Steps on Economy If Conditions Worsen
- U.K. Manufacturing Tepid as New Orders Slump at Home and Abroad
- Italy's Salvini Goes on Offensive in Final Push to Force Elections
- Saudi Aramco IPO Inches Closer to Listing as Company Chooses Advisors
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2923 (-0.75)	-1.35
Nasdaq	7730.5 (3)	3.18
Dow	26109 (-9)	-22.79

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7216.14	0.37%
DAX	11713.56	-0.02%
Nikkei	20677.22	0.55%
Hang Seng	26231.54	-0.25%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:55	Redbook	
6:00	Randal Quarles Speaks	

FOREX

EUR/USD	1.1078 (0.02%)
USD/JPY	106.26 (-0.31%)
USD/CAD	1.3331 (0.06%)
GBP/USD	1.2069 (-0.46%)
USD	98.25 (0.03%)

COMMODITY

Oil	56.16 (-0.09%)
Natural Gas	2.203 (-0.32%)
Gold	1514.9 (0.22%)
Copper	2.5835 (-0.69%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.83 (-8.88%)
Nasdaq	VXN	20.44 (-4.79%)
Oil	OVX	33.17 (-5.28%)
Gold	GVZ	14.95 (-11.33%)

MARKET OUTLOOK

Futures are indicating a mixed open for the day as the major indices look to keep momentum going for a third straight session. Treasury yields continued to decline overnight while the dollar was steady. Jackson Hole in focus later this week while trade remains in a standstill. The White House is reportedly pushing for a payroll tax cut to help stem an economic downturn. Financials in focus today with regulators set to roll out 'Volcker 2.0' which is expected to simplify the rules around banks investment in equity and hedge funds. In Italy today, eyes on Deputy PM Salvini who is attempting to force snap elections. PM Conte will address parliament in Rome later this morning signaling the end of his term.

Asian markets were mixed overnight with the Nikkei gaining slightly for the third straight session as trade tensions eased. We continued to see some risk-on positioning as hopes for stimulus rose. The G7 summit in focus later this week. It was a quiet morning for data. Hong Kong CPI remained steady at 3.3%. Apple suppliers **TDK** and **Taiyo Yuden** were both higher on potential tariff relief. Semiconductors **Screen Holdings** and **Tokyo Electron** strong with the Huawei extension.

European markets are mixed early with the DAX moving into the red now, fading the early move higher. Eurozone construction output was better than feared at 0.0% vs a 0.3% drop forecast. This is up from a 0.46% drop in May. German PPI rose slightly to 1.1% in July. Swiss trade slowed more than expected. UK industrial orders were better than feared. **AstraZeneca** higher by 1.5% after positive results for their diabetes drug Farxiga. Jeweler **Pandora A/S** jumped 6.6% after affirming their FY outlook. **BHP** fell 1.5% after warning on global headwinds.

Beyond Meat (BYND) in focus today with JP Morgan upgrading to Overweight citing the potential to acquire new foodservice customers, continued strength in measured data and valuation. The secondary likely spooked some investors but BYND has \$300M in cash on hand and another guidance raise is potentially ahead.

S&P TECHNICALS

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



5530 Advancing	Declining 1800
71.6%	23.3%
271 New High	New Low 88
75.5%	24.5%
2803 Above SMA50	Below 4834
36.7%	63.3%
3633 Above SMA200	Below 4004
47.6%	52.4%

KEY EVENTS TODAY

Earnings After the Close: AMCR, CREE, JKHY, LZB, NDSN, SCSC, TOL, URBN

Tomorrow... Existing Home Sales at 10:00 AM, EIA Petroleum at 10:30, FOMC Minutes at 2:00

International Data: Japan PMI Manufacturing

International Earnings: Rosneft

Earnings Before the Open: ADI, BZUN, KLXE, LOW, MSGN, PDD, RY, TGT, PLCE

ANALYST ACTION/COMMENTS

CACI upgraded to Outperform at CSFB

Campbells Soup (CPB) upgraded to Neutral at JP Morgan

TPI Composites (TPIC) upgraded to Strong Buy at Raymond James

CJ Energy (CJ) upgraded to Buy at Jefferies

AbbVie (ABBV) upgraded to Overweight at Piper

Beyond Meat (BYND) raised to Overweight at JP Morgan

Cardinal (CAH) upgraded to Buy at Guggenheim

Bio-Rad (BIO) upgraded to Conviction Buy at Goldman

Chemours (CC) upgraded to Positive at Susquehanna

Jumia (JMIA) upgraded to Neutral at MSCO

Itron (ITRI) downgraded to Outperform at CSFB

Hain Celestial (HAIN) downgraded to Sell at JP Morgan

McCormick (MKC) downgraded to Sell at JP Morgan

HP (HPQ) downgraded to Neutral at Citi

Stifel starting **NSA, EXR, PSA** at Buy, **LSI** at Hold

Sunnova (NOVA), Vivint Solar (VSLR), Sun Run (RUN) started Overweight at Keybank

PayPal (PYPL) initiated Buy at Rosenblatt

VERB Tech (VERB) initiated Buy at Alliance Global

Spotify (SPOT) initiated Neutral at Consumer Edge

Sarepta (SRPT) PT lowered to \$185 from \$208 at Piper

Deciphera (DCPH) offers 'significant upside', says Piper

Estee Lauder (EL) PT raised to \$231 from \$197 at Citi

MEDIA HIGHLIGHTS

Disney (DIS) says whistleblower claims 'utterly without merit' - MarketWatch

FTC head says breaking up **Facebook (FB)** could be complicated - FT

State AGs to proceed with antitrust investigation of big tech (**FB, AMZN, GOOGL**) – WSJ

Apple (AAPL) allocates over \$6B for original TV shows and movies; aims for November launch of Apple+ - FT

WhatsApp (FB) in talks to launch mobile payments in Indonesia - Reuters

Viacom (VIAB), Lions Gate (LGF) are final two bidders for stake in Miramax - Bloomberg

Endo Pharma (ENDP), Allergan (AGN) are in talks to secure opioid settlements to avoid trials - WSJ

Sotheby's (BID) is facing new criticism from key shareholder over sale to Patrick Drahi - FT

JD.com (JD) is in discussions to list online grocery unit in US next year - Caixin Global

Goodix to acquire **NXP Semi (NXPI)** voice and audio solutions business – Digitimes

Saudi Aramco Bond Sale Success Puts **Lazard (LAZ)** in Pole Position for IPO – Bloomberg

France's **Casino** Puts Another \$2.2 Billion of Assets Up for Sale - Bloomberg

Apollo looking to buy **Hilton Grand (HGV)** – NY Post

STOCK SPECIFIC NEWS OF NOTE

Moderna (MRNA) receives FDA fast track designation for Zika vaccine

Installed Building (IBP) acquires Therm-Con

AnaptysBio (ANAB) CFO Dominic Piscitelli resigns

American Water (AWR) announces CPUC decision, approving new GSWC electric rates

Rogers (ROG) 'disappointed' by CRTC decision on broadband wholesale rates

Boston Scientific's (BSX) ImageReady MRI labeling receives FDA approval

FDA's CRL to **Sarepta's (SRPT)** golodirsen citing risk of infection, renal toxicity

Elanco (ELAN) to acquire **Bayer** animal health business in deal valued at \$7.6B

PRE-MARKET MOVERS

Moving Higher: BIDU 9%, BYND 6%, KSS 5.8%

Moving Lower: SRPT -17%, SE -14.5%, IQ -8%

INSIDER TRADING (Form 4 Filings)

Buying: ENR, CLVS, CXO, STKL, RM, CFR

Selling: PGR, YUM, B, XEL, CHE, BR, ARW, SYK, RUBI, ZEN, TWLO, CABO, MODN

POTENTIAL SYMPATHY TRADES

LOW – on HD earnings

ABT, BDX, SYK, JNJ – on MDT earnings

SLDB – higher on SRPT CRL

ZTS, IDXX – on ELAN/Bayer deal

OPTION HIGHLIGHTS (Prior Day)

SmartSheet (SMAR) with 4,750 September \$45 puts sold to open today down \$1.25 as IV fades, notable size with earnings upcoming on 9-4. SMAR has seen buyers recently in the February \$40/\$50 call spreads, December \$45 and \$55 calls while the November \$50 puts sold to open on 7-22. SMAR pulled back recently from 52-week highs around \$55 to re-test the June base breakout at \$45 and now back above its 8- and 20-day MA. The YTD VPOC is just below around \$42. Shares have been in a big channel higher since January which targets a move up above \$60. SMAR has traded higher the last two reports. The \$5.35B software company trades 25.6X cash and 25.85X EV/sales with 37.3% and 40.6% sales growth forecast. SMAR is coming off a strong quarter with subscription revenue up 57% and growth by customers with a \$100K ACV up 139% Y/Y. Their dollar-based-retention rate rose 400 bps to 134%. The Collaborative Work Management market has long-term tailwinds as the pace of digital business expands with the TAM growing to \$31.6B by 2021. Analysts have an average target for shares of \$53.50 with 10 buy ratings and 1 hold. Needham raising their PT to \$60 on 7-11. The firm thinks SMAR can grow revenues around 40% the next 2+ years as the CWM market remains in the very early stages with little direct competition in most deals and a new marketing strategy is designed to create category leadership as the space matures. They also think a new M&A war chest and a robust product roadmap with an accelerating pace of innovation should enable SMAR's platform to stay ahead of less flexible competitive solutions. Short interest is 4.2% and up from around 1% in early 2019. Hedge Fund ownership rose 112.7% in Q2 filings. Whale Rock Capital, Tiger Global, Coatue, Alkeon Capital, and Hitchwood all notable filers.

AFTER HOURS MOVERS

Gainers: BIDU 8.4%

Losers: FN -13.3%

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)

IPO MONITOR

SECONDARY MONITOR

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
Stock	27X	12.8X	7.7X	51.6X	63.7X
Industry Avg.	23.2X	9.3X	5.6X	---	---

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>
Viewray (VRAY)	Anaptys (ANAB)	Nabriva (NBRV)
Frontline (FRO)	Estee Lauder (EL)	Endo (ENDP)
Gaming & Leisure (GLPI)	Aflac (AFL)	CNH Industrial (CNHI)
BRF SA (BRDS)	Cabot Oil (COG)	Pivotal (PVTI)
Aflac (AFL)	Revolve (RVLV)	Health Insurance (HIIQ)
Sabre (SABR)	SmartSheet (SMAR)	Sarepta (SRPT)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
BRF SA (BRFS)	Healthcare Services (HCSG)	Medicines Co (MDCO)
Gaming & Leisure (GLPI)	Carters (CRI)	Tegna (TGNA)
Career Edu (CECO)	Anaptsys (ANAB)	Sina Corp (SINA)
CNH Industrial (CNHI)	Telefonica (TEF)	Weibo (WB)
Texas Roadhouse (TXRH)	Cincinnati Financial (CINF)	Clovis (CLVS)
Endo (ENDP)	Canadian Pacific (CP)	Mallinckrodt (MNK)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Knight Swift (KNX)	Grupo Financiero (GGAL)	Adverum (ADVUM)
CBS Corp (CBS)	Vale SA (VALE)	Medicine Co (MDCO)
Retrophin (RTRX)	Citi (C)	PG&E (PCG)
Pure Storage (PSTG)	Micron Tech (MU)	Retrophin (RTRX)
Endo (ENDP)	IQIYI (IQ)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Nvidia (NVDA)	Luckin Coffee (LK)	Cabot Oil (COG)
Centene (CNC)	Silver (SLV)	Revolve (RVLV)
Freeport (FCX)	Aurora (ACB)	SmartSheet (SMAR)
Match Group (MTCH)	Dish Network (DISH)	Aflac (AFL)
Apple (AAPL)	Alibaba (BABA)	Sabre (SABR)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
CrowdStrike (CRWD)	Fed-Ex (FDX)	EL, 2500 March \$175/\$160 bull put spreads
Boeing (BA)	Palo Alto (PANW)	COG, October \$16/\$14 put spread opening 2554X3405
Enphase (ENPH)	Dominos (DPZ)	MRK, 1250 June 2020 \$87.5/\$85 strangles bought
XPO Logistics (XPO)	Accenture (ACN)	BA, 900 October \$340/\$330 strangles
World Wrestling (WWE)	Chemours (CC)	BABA, 5000 November \$185/\$205 call spreads

Stock Specific News

Bain, Carlyle examining higher offer for **Osram** – Reuters

UK's **Wood** to sell nuclear energy unit for \$305M – Reuters

How China's Answer to Google Lost Its Way (**BIDU**) – WSJ

Activist looking to overhaul **Barclays (BCS)** – Reuters

Extras

Stericycle (SRCL) late day buyers of 4,800 September \$45 puts for \$1.45 to \$1.55

PG&E (PCG) late trades opening 30,000 January / June \$15 calendar call spreads

Twitter (TWTR) late opening buy of 1500 January \$41 puts for \$4

Marvell (MRVL) with 1500 February \$26 straddles sold to open

DXC Tech (DXC) afternoon buyers of 2,750 October \$35 calls to open \$1.25 to \$1.30

Starbucks (SBUX) with buyers yesterday of 2,650 September 27th (W) \$100 calls up to \$1.35 and bullish flow last week in the September \$95 calls where over 5,000 sit in OI. The September \$97.50 calls and \$100 calls have over 4,500 and 6,900 respectively in OI while the October \$97.50 and \$100 calls with notable OI as well. Shares are consolidating in a small base above the rising 20-day MA and just below the 52-week highs with a breakout over \$100 targeting \$108.50. SBUX has been an outperformer in 2019 up nearly 50%. The \$114.35B company trades 31X earnings, 4.39X sales, and 13X FCF with a 1.5% yield. SBUX is targeting 10.2% and 13.7% EPS growth with 7.5% and 8.2% revenue growth. SBUX is showing strong global comps with average ticket and transaction growth improving as well. China was a bright-spot with comps up 5%. SBUX has put a lot of focus on their digital initiatives and active membership in their Rewards program up 14% in Q3. Analysts have an average target for shares of \$89.50. Goldman started coverage at Buy, \$110 PT in late July. They think sales are likely to continue to get a boost from low unemployment and bullish on the potential for delivery at Starbucks. JPM downgrading to Neutral with a \$91 PT, the analyst does not believe Starbucks deserves to trade at greater than 30 times estimates. Oppenheimer has a \$105 PT. They think healthy two-year trends can sustain as digital accretion improves. This, along with a respectable outlook for core margins, positions the model solidly against Street's EBIT assumptions in 2020. Short interest is 1.7%. Hedge Fund ownership fell 9.36%. Maverick Capital a new buyer while Pershing Square remains a top holder with 9.3M shares. In August, a Group President and COO bought \$270,000 in stock at \$54.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BIDU	Baidu	\$1.47	\$0.92	\$3,835.00	\$3,716.42		
FN	Fabrinet	\$1.00	\$0.94	\$405.10	\$399.22	17.30%	

IQ	iQIYI	-\$3.22	-\$3.14	\$7,110.18	\$7,051.10	15.20%	FY Below
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BIDU – Beat on EPS and Revenues - "Our focus on strengthening Baidu's mobile ecosystem through knowledge-based content, BJH accounts, smart mini programs and managed pages on Baidu's platform is translating into better user experience, stronger traffic growth, and, we believe, ultimately higher conversion for our customers. In June, Baidu App DAUs reached 188 million, up 27% year over year, in-app search queries grew over 20% year over year and smart mini program MAUs reached 270 million, up 49% sequentially," said Robin Li, Baidu co-founder and CEO. "On Baidu's AI businesses, DuerOS voice assistant continues to experience strong momentum with installed base surpassing 400 million devices, up 4.5 fold year over year, and monthly voice queries surpassing 3.6 billion, up 7.5 fold year over year, in June. As mobile internet penetration in China slows, we are excited about the huge opportunity to provide content and service providers a cross-platform distribution channel beyond mobile, into smart homes and automobiles." "Baidu delivered a solid second quarter with revenues reaching RMB 26.3 billion, growing 9% sequentially, and Baidu Core revenues growing 12% sequentially, despite the weak macro environment, our self-directed healthcare initiative, industry-specific policy changes and large influx of ad inventory." said Herman Yu, Baidu CFO. "With Baidu traffic growing robustly and our mobile ecosystem continuing to expand, we are in a good position to focus on capitalizing monetization and ROI improvement opportunities to deliver shareholder value."

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CMCM	Cheetah Mobile	\$0.52		\$970.10		-12.10%	
HD	Home Depot	\$3.17	\$3.08	\$30,839.00	\$30,983.97	1.20%	FY In Line
KSS	Kohl's	\$1.55	\$1.53	\$4,430.00	\$4,247.75	-3.10%	
MSG	Madison Square Garden	-\$3.08	-\$2.61	\$263.56	\$270.09	-17.10%	
MDT	Medtronic	\$1.26	\$1.19	\$7,493.00	\$7,404.72	1.50%	FY Above
MSGN	MSG Networks		\$0.63		\$170.87		
PLAB	Photronics	\$0.10	\$0.10	\$138.11	\$137.13	1.30%	
PPDF	PPDAI Group	\$1.87	\$1.95	\$1,562.30	\$1,330.00	46.60%	
PINC	Premier	\$0.68	\$0.65	\$316.20	\$426.69	1.20%	
SE	Sea Limited	-\$2.35	-\$0.43	\$788.00	\$615.76	132.60%	
SDRL	Seadrill Ltd	-\$2.03	-\$2.55	\$321.00	\$295.10	-7.80%	
SFL	Ship Finance Intl	\$0.26	\$0.23	\$110.90	\$116.90	14.30%	
TJX	TJX		\$0.62		\$9,890.85		

Insider Focus

MarketAxess (MKTX) with a rare insider buy from director Richard Prager of 1,000 shares at \$358.49, the first open market purchase in the name since 2011. The purchase comes with shares less than 2% from new 52-week highs. The \$13.78B company trades 61.5X earnings, 29.7X sales, and 48X cash with a 0.56% yield. MKTX sees 15.4% and 12.4% EPS growth with the topline up in the low-double digits. The company is a leading fixed income electronic trading platform which connects institutional investors and dealers. MKTX is taking advantage of a growing shift in the fixed income regulatory market with electronic trading growing as a percentage of the overall market share. MKTX has built out their platform to areas like pre-trade discovery, trade execution, and post-trade services like matching. The average daily volume for their addressable markets is \$71B with a 1% change in estimated market share resulting in \$33M to \$39M in additional revenue. They've been buying up a number of smaller companies in the space to build out capabilities in new and existing markets as well as International. MKTX announced a deal in cash-and-stock to buy Liquidity Edge last week, a leading electronic US Treasury marketplace. They're expanding hedging capabilities to include Treasury hedging on credit products as well. MKTX is seeing 13% revenue growth CAGR, 15% growth in operating income, and 15% growth in EBITDA. Analysts have an average target for shares of \$281.25. Barclays with a \$289 PT seeing \$16 of earnings per share is possible if industry electronic adoption doubles. They keep a Neutral rating for shares noting the debate is less about future earnings power than the timeline of achievement. Short interest is 5.5% down from around 7.4% in June. Hedge Fund ownership rose 1.12%. GW&K Investment a top holder with 170K shares.

