

**TOP STORIES**

- Stocks Rise, Bonds Fall as Markets Await Powell Comments in Wyoming
- G7 Kicks Off in France with Focus on Environment, Global Slowdown
- Hong Kong Gears Up for Another Weekend of Unrest
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**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2927.5 (5.25)</b>	<b>4.25</b>
<b>Nasdaq</b>	<b>7730 (18.75)</b>	<b>14.27</b>
<b>Dow</b>	<b>26257 (32)</b>	<b>16.76</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7168.51</b>	<b>0.57%</b>
<b>DAX</b>	<b>11768.79</b>	<b>0.19%</b>
<b>Nikkei</b>	<b>20710.91</b>	<b>0.40%</b>
<b>Hang Seng</b>	<b>26179.33</b>	<b>0.50%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
10:00	New Home Sales	
10:00	Jerome Powell Speaks	

**FOREX**

<b>EUR/USD</b>	<b>1.1053 (-0.23%)</b>
<b>USD/JPY</b>	<b>106.62 (0.19%)</b>
<b>USD/CAD</b>	<b>1.3317 (0.11%)</b>
<b>GBP/USD</b>	<b>1.2211 (-0.32%)</b>
<b>USD</b>	<b>98.33 (0.27%)</b>

**COMMODITY**

<b>Oil</b>	<b>55.31 (-0.07%)</b>
<b>Natural Gas</b>	<b>2.154 (-0.23%)</b>
<b>Gold</b>	<b>1504.9 (-0.24%)</b>
<b>Copper</b>	<b>2.5605 (0.12%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>16.68 (5.57%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>20.83 (5.15%)</b>
<b>Oil</b>	<b>OVX</b>	<b>32.39 (0.01%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>15.35 (1.45%)</b>

**MARKET OUTLOOK**

Futures are indicating a modestly higher open after a quiet overnight ahead of Jerome Powell's speech this morning. Powell is expected to reinforce that the Fed has not entered an extended cutting cycle but rather July's meeting was a mid-cycle adjustment. The US dollar is higher by around 30 bps early and looking to break out of a small bull flag. It has key resistance at 98.55 out of a wide weekly range. The G7 kicks off in France with the focus on the slowing global economy. There's a lot of individual storylines as well including Boris Johnson's push for a Brexit plan, Italy's PM situation, and Germany on the brink of recession. Hong Kong remains as a focus as well with the Fed's Rosengren saying overnight that the crisis risks spillover into International markets.

Asian markets were higher to close the week with the Nikkei finishing the week up 1.4%. South Korea's finance ministry affirmed their growth forecast between 2.4% and 2.5% overnight. They acknowledged that the environment had become more difficult. The PBOC fixed the yuan at a lower level, the weakest fix since March 2008. Japanese CPI was in line with expectations at 0.5% with core CPI at 0.1%. Singapore CPI came in light at 0.4%. Defense stocks rose as conditions between China/South Korea worsened. **Seisakusho** rose 3.5% while **Howa Machinery** up 4.3%. Travel services company **HIS** rose 3.8% after it reportedly pulled out of a takeover bid for **Unizo**.

European markets are higher early, a slow pace ahead of Powell's speech. The Stoxx 600 is higher by 40 bps and on pace for its first weekly gain since July. It remains down 2% on the month. It was a quiet morning for economic data.

**Entertainment One** jumped 30% after agreeing to a takeover from **Hasbro (HAS)**. UK Broadcaster **ITV** rose 4% in sympathy. **Kloeckner** rose 11% after a media report that **Thyssenkrupp** was in talks to buy the company.

**S&P TECHNICALS**

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



2924 Advancing	Declining	4312
37.9%		55.8%
228 New High	New Low	132
63.3%		36.7%
2827 Above SMA50	Below	4810
37.0%		63.0%
3632 Above SMA200	Below	4005
47.6%		52.4%

**KEY EVENTS TODAY**

**Economic Data on Monday:** Durable Goods at 8:30 AM, Chicago Fed at 8:30, Dallas Fed at 10:30

**International Data:** German IFO Survey, China Industrial Profits

**Earnings BMO on Monday:** FHL, OSIS; **Earnings AMC:** BILI, CAL

**ANALYST ACTION/COMMENTS**

**La-Z-Boy (LZB)** upgraded to Outperform at Raymond James

**Altria (MO)** upgraded to Neutral at MSCO

**Crestwood (CEQP)** upgraded to Outperform at RBC

**Total (TOT)** downgraded to Neutral at Citi

**Kemper (KMPR)** downgraded to Neutral at William Blair

**Triumph (TGI)** downgraded to Sell at Barclays

**L Brands (LB)** downgraded to Neutral at RBC

**SemGroup (SEMG)** downgraded to Neutral at RBC

**Macys (M)** downgraded to Neutral at Guggenheim

**Tellurian (TELL)** downgraded to Neutral at BAML

**Pacwest (PACW)** initiated Buy at RBC Capital

**Oasis Petroleum (OAS)** initiated Buy at MKM

**Repligen (RGEN)** resumed Overweight at Stephens

**Ziopharm (ZIOP)** resumed Outperform at Raymond James

**Cerus (CERS)** initiated Overweight at Stephens

**Aramark (ARMK)** initiated Outperform at Oppenheimer

**KB Home (KBH), Pulte (PHM), DR Horton (DHI), Lennar (LEN)** initiated Buy at Seaport

**Landec (LNDC)** initiated Buy at DA Davidson

**Clean Harbors (CLH)** initiated Buy at Needham

**MEDIA HIGHLIGHTS**

**Deutsche Bank (DB)** to pay \$16M to settle corruption charges with SEC - Reuters

FDA zeroes in on **Novartis (NVS)** delay in reporting data manipulation - WSJ

**Tesla Motors (TSLA)** in talks with **LG Chem** for batteries in China - Reuters

**Facebook (FB)** pushes **Instagram** to grow ad business - The Information

Regulators are investigating incidents of lung ailments from Vaping (**MO, PM**) - WSJ

**UBS** faces backlash over complex investment strategy - WSJ

**Intel (INTC)** introduces new 14nm mobile chips - DigiTimes

**VW** looks for investment in China auto suppliers – Bloomberg

**Facebook's (FB)** Libra backers look to distance themselves from project – FT

**Amazon (AMZN)** Deal Opens Door to Bigger Footprint in India – WSJ

**Huawei** believes impact from US restrictions were less than expected – Reuters

**Samsung** EUV process reportedly facing hurdles, may impact **Qualcomm (QCOM)** launch - DigiTimes

**Burger King's** \$1 Billion China Franchisee Considers Hong Kong IPO (**QSR**) - Bloomberg

**Ikea** to make its largest investment in China – Nikkei

**Trafigura** takes stake in **Frontline (FRO)** in \$675M tanker deal – Reuters

Some Coke Stocks Fizz More Than Others (**CCEP**) – WSJ

Hunter Harrison's Train Overhaul Starts Running Out of Steam (**CSX, UNP, NSC, KSU**) – WSJ

**STOCK SPECIFIC NEWS OF NOTE**

**Immersion (IMMR)** signs license agreement with Awinic

**VMware (VMW)** to acquire **Carbon Black (CBLK)** for \$2.1B; VMware acquires **Pivotal (PVTI)** for \$2.7B

**Hasbro (HAS)** to acquire Entertainment One in all-cash deal valued at about \$4B

Arbitration panel rules in favor of **Eli Lilly (LLY)** in Adocia IP claim

**PRE-MARKET MOVERS**

**Moving Higher:** NETE 15%

**Moving Lower:** FL -8.5%, HPQ -7.6%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** GRA, BW, CFG, MOS, CLF, RUN, SBH, SKT, EHTH, BHVN, CLVS, AERI

**Selling:** IONS, CHGG, AMZN, HQY, LSCC, FB, WDC, CZR, SCHW, FISV, SGEN, JNPR, RP

**POTENTIAL SYMPATHY TRADES**

**CRWD** – lower on CBLK deal

**NKE, UAA** – on FL earnings

**OPTION HIGHLIGHTS (Prior Day)**

**J&J (JNJ)** buyer of 1500 September \$132/\$121 bull risk reversals for \$2.28 today and later 1,000 October ITM \$115 calls bought for \$16.90 in a stock replacement. Today's activity follows buyers in the March \$130 calls on 8-2 and buyers in the October \$135 calls over 4,500 on 7-24, a spot where more than 9,000 sit in OI. The October \$140 calls have over 10,000 in OI from buyers in mid-July while the November \$135 calls also with buyers on 7-18. Shares are consolidating in a multi-week range under \$132.50 with a move higher targeting a low-volume gap from earnings back to \$138.50. On a longer-term view, JNJ is back at weekly trend support from the 2018 lows with a big monthly flag forming under \$150. The \$349B company trades 14.4X earnings, 4.29X sales, and 40.4X FCF with a 2.9% yield. JNJ sees mid-single digit EPS growth accelerating into FY21 while revenues higher by nearly 5% from flat in 2019. JNJ is expected to receive a decision in Oklahoma on Monday in a trial over their role in the opioid crisis. Analysts have an average target for shares of \$148.50. Mizuho out on 7-17 with an interesting note highlighting JNJ as a possible buyer of Otezla from BMJ/CELG as they look to divest the asset. The firm thinks the assets could go for \$5B to \$10B. Credit Suisse starting at Outperform on 7-10 with a \$156 PT. The firm sees key drivers including continued growth in Immunology, driven by Stelera and Tremfya, sustainable growth in Oncology driven by Imbruvica, Darzelex and Erleada, an attractive pipeline of filings in the 2019-2023 timeframe with greater than \$1B potential each, and growth and cash flows in Medical Devices and Consumer. Short interest is 0.6%. Hedge Fund ownership rose 2.7% in Q2. Fisher Asset Management, AQR, and Mairs and Power notable holders. JNJ saw insider buying on 6-11 when a director bought 3000 shares at \$139.68, a more than \$419K investment. In December, more than \$450K in stock was bought by three different individuals.

**AFTER HOURS MOVERS**

**Gainers:** PVTI 8.5%, CRM 6.8%, CBLK 6%, INTU 5%, FL 4.5%, HIBB 3.8%, ALXN 3.6%

**Losers:** HPQ -6.5%, VMW -5%, HAS -4%

**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**

Nothing Scheduled at this Time

**SECONDARY MONITOR**

**Sunoco (SUN)** files to sell \$300M in stock for LPs

**Nuance (NUAN)** files Form 10 for Spin-off of Cerence

# 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>
Switch (SWCH)	Retrophin (RTRX)	Craft Brew (BREW)
Amrica Movil (AMX)	Fastly (FSLY)	Bed Bath (BBBY)
Bank of Nova Scotia (BNS)	Ebix (EBIX)	Fastly (FSLY)
BJ Wholesale (BJ)	Nordstrom (JWN)	Amarin (AMRN)
Sempra (SRE)	Uniti (UNIT)	At Home (HOME)
Ross Stores (ROST)	Edwards (EW)	Overstock (OSTK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Rambus (RMBS)	Green Sky (GSKY)	L Brands (LB)
Green Plains (GPPE)	Santander (SC)	Zagg (ZAGG)
Sanofi (SNY)	Covetrus (CVET)	BJs Wholesale (BJ)
Citi Trends (CTRN)	Rollins (ROL)	Retrophin (RTR)X
Opko (OPK)	Linde (LIN)	Dicks Sporting (DKS)
Global Payments (GPN)	Immersion (IMMR)	Fly Leasing (FLY)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Scientific Games (SGMS)	Rollins (ROL)	Adverum (ADVM)
Opko (OPK)	Mittal (MT)	Medicine Co (MDCO)
America Movil (AMX)	Cardinal Health (CAH)	PG&E (PCG)
Craft Brew (BREW)	Gap (GPS)	Retrophin (RTRX)
Dell Tech (DELL)	Intel (INTC)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Rio Tinto (RIO)	AT&T (T)	Nordstrom (JWN)
Boeing (BA)	Apple (AAPL)	Uniti (UNIT)
Trade Desk (TTD)	KLA (KLAC)	Edwards (EW)
Target (TGT)	Alibaba (BABA)	Sempra (SRE)
Cree (CREE)	Amazon (AMZN)	Ross Stores (ROST)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Repligen (RGEN)	Nucor (NUE)	COP, September \$50 synthetic long spread
J&J (JNJ)	Zoom Video (ZM)	GPN, 660 September \$165/\$175 call spreads
Coupa Software (COUP)	UPS	MLM, 445 January \$250/\$220 put spreads
Ziopharm (ZIOP)	Ceredian (CDAY)	UPS, 2,000 September \$113/\$109 put spreads
CSX Corp (CSX)	Micron (MU)	AVTR, 3,000 February \$20/\$12.50 bull risk reversals

## Extra

**American Tower (AMT)** buyers late of 1,000 OTM January 2021 \$320 calls up to \$2.10

**Exxon (XOM)** with 1,500 March \$75/\$65 strangles sold to open for \$4.76

**Boeing (BA)** buyers of 1,500 November \$280 OTM puts for \$2.60 to \$2.63

**Apache (APA)** buyers of 5,000 September \$23 calls for \$0.50

**Wynn (WYNN)** with 2,500 December \$125 calls opening for \$4.70

**CF Industries (CF)** with 1,800 January \$50/\$47.50 long strangles bought for \$7.45

**Tencent Music (TME)** buyers of 1,000 December \$14 calls for \$1.05 to \$1.15

**US Bancorp (USB)** buyer of 2,000 October \$52.50 puts for \$1.97 to \$2

**Quest Diagnostics (DGX)** buyers yesterday of 500 January \$95 calls up to \$10.40, a more than \$545K buy. DGX has over 1200 January ITM \$110 puts sold to open from around \$27 back in January while the September \$100 calls with 1000 bought on 7-22 in open interest. Shares are forming a bull flag under \$104 after pulling back to rising cloud support and has a small gap above to \$108. DGX is forming a big weekly down channel from the 2018 highs with a move above \$108 targeting \$116 and then a run to \$125+. The \$13.85B company trades 15X earnings, 1.83X sales, and 21.35X FCF with a 2% yield and mid-single digit growth. DGX expects 2.5% annual revenue growth with plenty of room for margin expansion. DGX is coming off a strong quarter with volumes given PAMA, expanded network access, and the increased consumerization of health care. DGX has made a focus on shifting towards higher-margin contracts despite a modest drop in volumes. In April, the company announced that UNH had selected the company to take part in their PLN which started on 7-1. Analysts have an average target for shares of \$106. Goldman cut to Sell in June with the analyst seeing a "challenging" setup for the shares amid "muted" Preferred Lab Network prospects. Canaccord with a \$103 PT and Buy rating. They think Quest is off to a "good start" as it adds new volume growth related to 43M new lives from recent health plan wins from UnitedHealthcare (UNH) and others, and Quest expects volumes to gradually grow throughout this year. Jefferies upgrading to Buy in April with a \$107 PT. They think the outlook looks conservative given inclusion with UNH should bolster their organic growth beginning in 2020. Short interest is 3% and down from around 3.8% recently. Hedge Fund ownership fell 2% in Q2. Balyasny, Ariel Investment, and Tamarak Advisors notable holders.

## Open Interest Checks

**TTD** – January \$250 calls from 5,222 to 10,237

**CNC** – September \$45 short puts from 15,909 to 29,023

**CTL** – January \$10 puts from 13,930 to 28,928

**CREE** – September \$50 calls from 2,498 to 1,800

**ORCL** – January \$43 short puts from 5,453 to 10,037

**CBRL** – December \$172 calls from 555 to 1,070

**RGEN** – September \$95 calls from 1,334 to 2,157

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ATGE	Adtalem Global	\$0.97	\$0.96	\$330.30	\$329.90	3.30%	FY In Line
GPS	Gap	\$0.63	\$0.53	\$4,005.00	\$4,023.95	-2.00%	
HCAT	Health Catalyst	-\$0.21	-\$0.32	\$36.80	\$36.44	60.10%	FY In Line
HPQ	HP	\$0.58	\$0.55	\$14,603.00	\$14,583.41	0.10%	FY In Line
INTU	Intuit	-\$0.09	-\$0.14	\$994.00	\$964.02	15.00%	FY In Line
ROST	Ross Stores	\$1.14	\$1.12	\$3,979.87	\$3,958.43	6.50%	FY In Line
CRM	Salesforce	\$0.66	\$0.47	\$3,997.00	\$3,955.37	21.80%	FY In Line
VMW	VMware	\$1.60	\$1.55	\$2,439.00	\$2,425.85	12.20%	

**ATGE – Beat on EPS and Revenues** - "We made significant progress in transforming Adtalem Global Education into a leading workforce solutions provider in fiscal 2019. We completed the divestitures of DeVry University and Carrington College, streamlined our three verticals to support our enterprise growth strategy and expanded the financial services customer base through our acquisition of OnCourse Learning," said Lisa Wardell, chairman and CEO of Adtalem. "In the fourth quarter, we capitalized on strong demand, employer partnerships and superior student outcomes to deliver revenue growth in line with expectations despite some top-line challenges in Brazil. Our students achieved NCLEX pass rates of 90 percent at Chamberlain, and first-time residency attainment rates at the American University of the Caribbean School of Medicine and Ross University School of Medicine were 91% and 92% respectively. I am excited about the future of Adtalem, and I want to thank our dedicated faculty and staff for their ongoing hard work and dedication to our students and employer partners."

**CRM – Beat on EPS and Revenues** - "Following an outstanding quarter, we're raising our FY20 revenue guidance to \$16.9 billion at the high-end of the range," said Marc Benioff, Chairman & co-CEO, Salesforce. "With our Customer 360 vision, Einstein AI and the millions of Trailblazers innovating on our platform, Salesforce has never been better positioned for the future." "An enormous wave of digital transformation is sweeping across every industry, and major brands, like FedEx, AXA and Unicredit, turned to Salesforce in the quarter to propel their growth," said Keith Block, co-CEO, Salesforce. "The trust our customers have in us to drive their digital transformations is reflected in our strong quarterly results across our clouds and regions."

**INTU – Beat on EPS and Revenues** - "Our business continued its strong momentum in the fourth quarter, resulting in full year revenue growth of 13 percent, exceeding our original guidance of 8 to 10

percent growth," said Sasan Goodarzi, Intuit's chief executive officer. "These results were fueled by 15 percent growth in the Small Business and Self-Employed Group, and 11 percent growth in the Consumer Group. By focusing on delivering more value to our customers - and addressing their biggest pain points - we've achieved strong Online Ecosystem revenue growth and posted a second consecutive year of double-digit revenue growth in our Consumer business. This reflects significant improvements to the customer experience across both the DIY and assisted tax preparation categories," said Goodarzi Our strategy to become an A.I.-driven expert platform has already delivered strong results and we think we're well-positioned for durable growth in the future."

### Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BKE	Buckle	\$0.34	\$0.30	\$203.80	\$202.20	1.30%	
FL	Foot Locker	\$0.66	\$0.67	\$1,774.00	\$1,834.86	-0.40%	
HIBB	Hibbett Sporting	-\$0.13	-\$0.16	\$252.40	\$255.71	19.60%	FY Above
MDP	Meredith		\$1.58		\$772.63		
RRGB	Red Robin Gourmet	\$1.03	\$0.31	\$308.00	\$306.39	-2.30%	Cuts FY

**FL – Missed on EPS and Revenues** - "While our results in the second quarter did come in at the low end of our expectations, we saw improvement in our performance as we moved through each month of the quarter," said Richard Johnson, President and CEO. "We remain deeply connected with sneaker and youth culture, and believe this positive momentum exiting the quarter has us well positioned for the back-to-school period and beyond. Further, our team continues to make meaningful progress against our long-term strategic imperatives."

**HIBB – Beat on EPS and Revenues Light, FY Above** - Jeff Rosenthal, President and CEO, stated, "I am pleased with the second quarter results. We believe our strategic initiatives are taking hold as we recorded our third consecutive quarter of positive comparable sales. Looking ahead, we expect a solid finish to the back-to-school season as well as momentum from strong product offerings in the back half of the year. We are encouraged by City Gear's early performance as they enter the second half with a strong inventory position along with the planned migration to the Hibbett digital platform. Based on the strength of the first half and our confidence in the second half, we have updated our annual guidance. As we move forward, we will continue to drive the business with our strategic focus on leading with sneakers and connecting toe-to-head concepts with active apparel and accessories."