

TOP STORIES

- Markets Mixed as Trade Optimism Fades
- 24 Hours Later China Remains Unaware of Any Calls to Restart Talks
- Italian Coalition Talks Stumble, Raising Risk of Early Elections
- China Factory Firms Return to Profit on Investment, Base Effects
- Germany On Brink of Recession as Exports Drag on Q2 GDP

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2882.25 (-1)	3.82
Nasdaq	7591.5 (1)	11.48
Dow	25927 (-16)	39.17

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7081.83	-0.19%
DAX	11701.87	0.38%
Nikkei	20456.08	0.93%
Hang Seng	25664.07	-0.06%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:00	Case-Schiller	0.2%
9:00	FHFA Housing Index	0.3%
10:00	Consumer Confidence	129.8
10:00	Richmond Fed	-4

FOREX

EUR/USD	1.1109 (0.09%)
USD/JPY	105.77 (-0.33%)
USD/CAD	1.3224 (-0.22%)
GBP/USD	1.2262 (0.38%)
USD	97.82 (-0.18%)

COMMODITY

Oil	54.30 (1.23%)
Natural Gas	2.12 (-0.81%)
Gold	1539.8 (0.17%)
Copper	2.5465 (0.12%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	19.32 (-2.77%)
Nasdaq	VXN	23.24 (-1.78%)
Oil	OVX	35.42 (0.62%)
Gold	GVZ	17.54 (-4.47%)

MARKET OUTLOOK

Futures are indicating a flattish open for the morning as trade optimism from the G7 and over the weekend fades. China reiterated overnight that they are unaware of any call mentioned by Trump. The US and Japan did move closer to an agreement as the US appeared willing to end the threat of tariffs on autos. In Italy, the focus is on talks between the Five Star Movement and Democratic Party. There was little progress in early talks raising the risk of snap elections. Oil is strong this morning with WTI up 1.4%. Gasoline is up 1.5%. Grains are fading a bit with Soybeans down 1%.

Asian markets were mixed overnight with the Nikkei rebounding almost 1% as the US and Japan near a trade deal. Automakers like **Subaru (+5%)** were strong with the threat of tariffs off the table for now. **Bridgestone** was up 1.5% while parts maker **Aisin Seiki** was higher by 1%. Brakes maker **Akebono Brake** rose 11% after its CEO stepped down. China industrial profits rose 2.6% in July, better than the 3.1% decline in June. South Korean consumer confidence fell to 92.5 in August.

European markets are mixed today with the DAX lifting off the early lows. Italian stocks led on hopes that a snap election could be avoided to form a new government. The FTSE lagged with **BTI**, **HSBC**, and **AstraZeneca** weak. Zurich-based airport **Flughafen Zuerich** rose 4% after earnings. German GDP slowed to 0.0% in Q2, worse than the 0.4% expected and down from 0.7% prior. French business confidence improved in August. Consumer confidence was steady.

Zynga (ZNGA) in focus today with Wedbush adding to their Best Ideas list, \$9 PT. The firm thinks key titles "Empires & Puzzles" and "Merge Dragons!" along with three new releases later this year, have the potential to drive significant upside to the Street's expectations through 2021.

S&P TECHNICALS

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



5051 Advancing	Declining 2252
65.5%	29.7%
132 New High	New Low 296
30.8%	69.2%
2403 Above SMA50	Below 5218
31.5%	68.5%
3307 Above SMA200	Below 4314
43.4%	56.6%

KEY EVENTS TODAY

Earnings After the Close: ADSK, HEI, HPE, LCI, OOMA, PAHC, PSEC, VEEV

Tomorrow... EIA Petroleum at 10:30 AM, Mary Daly Speaks at 5:30

International Data: German Consumer Confidence

Earnings Before the Open: BF/B, CHS, COTY, DAKT, DY, EXPR, MOV, TIF

ANALYST ACTION/COMMENTS

SK Telecom (SKM) upgraded to Overweight at MSCO

Cree (CREE) upgraded to Neutral at JP Morgan

Exelon (EXC) upgraded to Overweight at MSCO

Genesco (GCO) upgraded to Positive at Susquehanna

Copa Holdings (CPA) upgraded to Outperform at Evercore

SRC Energy (SRCI) downgraded to Neutral at MKM

Red Robin (RRGB) downgraded to Sell at BAML

Parsley (PE) initiated Buy at MKM Partners

People's United (PBCT) initiated Buy at DA Davidson

Lakeland (LBAI) initiated Buy at DA Davidson

Store Capital (STOR) initiated Buy at Deutsche Bank

Zebra Tech (ZBRA) initiated Overweight at Atlantic

Realty Income (O) initiated Hold at Deutsche Bank

Synchronoss (SNCR) initiated Buy at Canaccord

BorgWarner (BWA) initiated Buy at Nomura

Charter (CHTR) initiated Neutral at Wells Fargo

Altice (ATUS) resumed Outperform at Wells Fargo

Comcast (CMCSA) initiated Outperform at Wells Fargo

Disney's (DIS) ramp of DTC to drive higher return on capital, says Tigress

Pyxus (PYX) shares offer four times upside potential, says Imperial Capital

Johnson & Johnson (JNJ) ruling in Oklahoma better than feared, says Stifel

Morgan Stanley sees \$5B in new sales next year from **Alphabet's (GOOGL)** three key sites

MEDIA HIGHLIGHTS

Avia has sued **Boeing (BA)** to cancel 35 737-Max orders. FT

UK will make **Huawei** 5G decision by fall – Reuters

Petrobras (PBR) refineries are receiving interest from **Petro China (PTR)** and **Saudi Aramco**. Reuters

Canadian regulator to settle charges against **Royal Bank of Canada (RY)**, **Toronto-Dominion (TD)**. Reuters

Costco (COST) closed early on first day in China due to overcrowding. FT

TSM (TSMC) suppliers are set to have stronger than expected sales in Q3. Digitimes

AMS positive about demand from 3 major upgrades in smartphones in 2019 – Digitimes

Uber Eats (UBER), Japan convenience store **Lawson** form delivery tie-up – Reuters

U.S. FDA gives fast track status to **AstraZeneca's (AZN)** diabetes drug Farxiga – Reuters

Smartphone sales declined again in Q2 – Tech Crunch

STOCK SPECIFIC NEWS OF NOTE

Boot Barn (BOOT) acquires G.&L. Clothing

Judge rules against **J&J (JNJ)** in opioid case, orders company to pay \$572M

Nuvectora (NVTR) to explore strategic alternatives

Heartland Express (HTLD) acquires Millis Transfer, related entities for \$150M

Regis (RGS) to fully franchise remaining company-owned portfolio of salons

WageWorks (WAGE) receives unsolicited letter of interest from Mansa; reaffirms **HealthEquity (HQY)** deal

Papa John's (PZZA) names Arby's Rob Lynch as new CEO

Ionis Pharmaceuticals (IONS) licenses hepatitis B program to **GlaxoSmithKline (GSK)**

STAAR Surgical (STAA) announces FDA IDE clinical study approval

PRE-MARKET MOVERS

Moving Higher: TEVA 3.6%, MDB 2%, BP 1.2%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: HZN, LYB, RUN, OXY, MGM, RRD, VFC, DHR

Selling: TGT, FB, FGEN, MXIM, TTD, LPLA, ALGN, MIME, BLL, EE, ZEN, LII, SNPS

POTENTIAL SYMPATHY TRADES

TEVA, MCK, ENDP – higher on JNJ verdict

OPTION HIGHLIGHTS (Prior Day)

Fibrogen (FGEN) with buyer of 4,000 January \$45 call for \$5.60 to open, sizable buy as shares put in a reversal candle after pulling back off of the 200-day MA. FGEN still has 3,000 November \$50 calls in OI while recent bullish flow in the September \$45 calls and put sales in the January \$45, March \$50, and January 2021 \$35 strikes. Shares continue to trade below the major moving averages and long-term downward channel from the 2018 highs around \$65. A move above the 200-day targets the downtrend and weekly cloud resistance around \$50. Today's action comes with the news pre-market of the passing of CEO Thomas Neff. The \$3.78B biotech trades 10.7X sales and 5.7X cash while in the earliest stages of profitability. FGEN sees 14% and 8% sales growth the next two years. FGEN announced approval in China for Roxadustat on 8-22 which expands on their leading anemia treatment for CKD. The company expects to launch in 2H of the year. FGEN recently had a positive pre-NDA meeting with the FDA and targeting an October filing while patients are now starting to be dosed in their pamrevlumab Phase 3 trial. Analysts have an average target for shares of \$63. Jefferies positive on 6-10 expecting an NDA in Q3 which should calm the Street on recent concerns. They also think FGEN could provide more detailed Phase 3 data which would drive a rebound in shares. Short interest is 6.1% and rising recently. Hedge Fund ownership rose 63% in Q2. Ecor1 Capital, Farallon Capital, BlueCrest capital, and AQR notable holders.

AFTER HOURS MOVERS

Gainers: CAL 11.6%, IDXX 7.8%, ELAN 4.6%

Losers: PHM -2%, BILI -1.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.663	Rising – Cautious
CBOE Index Put/Call Ratio	1.15	Rising – Cautious
CBOE Skew Index	114.48	Near Multi-Month Lows
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	18	Extreme Fear
NYMO	-26.31	Neutral
NYSE New Highs – New Lows	-90	Weak
McClellan Summation	286.97	Below 8-EMA
Univ. of Michigan Consumer Sentiment	98.4 (July)	+0.5% Y/Y

SMART MONEY (13g/13d Filings)

Ecor1 Capital reports 23.6% activist stake in **Prothena (PRTA)**

IPO MONITOR

Nothing Scheduled at this Time

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

AKAM:



Akamai (AKAM) shares holding up well and consolidating in a bull flag under \$90. The 20-day MA is supportive on Friday's lows and a breakout targets \$100. MACD and RSI are both in strong trends higher and nearing inflections higher and ready to run.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Churchill Downs (CHDN)

Price: \$121

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: CHDN is a \$4.77B company which focuses on horse racing, gaming, and online entertainment. CHDN owns the largest legal online wagering platform in the US while investing in their regional portfolio in six states so far this year. They continue to target M&A to expand while their strong FCF and low leverage keep the balance sheet in strong shape.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

ABMD:



Abiomed (ABMD) shares forming a narrow bear flag after gapping lower on earnings in early August. A breakdown under \$181 targets \$165 and failing on Friday at the declining 8- and 20-MA. ABMD has been in a strong long-term downtrend since topping out in May 2018.

PAIR TRADE OF THE WEEK

Industry: Soda

Long/Short: Long Pepsi Co (PEP), Short Monster Beverages (MNST)

Analysis: PEP is a leader in snacks and a wide array of beverage brands which his gaining global market share and entering new verticals. MNST is facing tough competition from new entrants in the space and entrenched competitors like PEP/KO building out their energy brands.

SMALL CAP TRADE OF THE WEEK

MobileIron (MOBL) is a \$761M software company which focuses on security for mobile devices, apps, and cloud services including enterprise mobility management. Their platform comprises an all-in-one solution including device validation, app authorization, network verification, and threat detection. MOBL is undergoing a shift from product to subscription which gives it's a much steadier, recurring support/revenue base with high renewals.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Fibrogen (FGEN)	Catalent (CTLT)	Aimmune (AIMT)
Constellium (CSTM)	Flowserve (FLS)	Riot Blockchain (RIOT)
Dycom (DY)	Welbilt (WBT)	Nio (NIO)
Royal Bank of Canada (RY)	Momo (MOMO)	Anaplan (PLAN)
Atara (ATRA)	HD Supply (HDS)	Pareteum (TEUM)
Fiat (FCAU)	Franco Nevada (FNV)	Lannett (LCI)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Treehouse (THS)	Welbilt (WBT)	Fastly (FSLY)
Hilton Grand (HGV)	Quanta (PWR)	Endo (ENDP)
Synovus (SNV)	Calavo (CVGW)	Medicine Co (MDCO)
Akorn (AKRX)	Tenaris (TS)	Alexion (ALXN)
Axsome (AXSM)	SVMK	Red Robin (RRGB)
Altaba (AABA)	Flowserve (FLS)	Altaba (AABA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Davita (DVA)	AbbVie (ABBV)	Adverum (ADVUM)
Restaurant Brands (QSR)	Freeport (FCX)	PG&E (PCG)
Bed Bath (BBY)	Nio (NIO)	Overstock (OSTK)
Delta Air (DAL)	Petrobras (PBR)	Aimmune (AIMT)
Medicine CO (MDCO)	Bristol Myers (BMJ)	Caleres (CAL)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Freeport (FCX)	Bank of America (BAC)	Momo (MOMO)
Teva (TEVA)	Southern (SO)	HD Supply (HDS)
AT&T (T)	Gap (GPS)	Franco Nevada (FNV)
Advanced Micro (AMD)	Visa (V)	Atara (ATRA)
Qualcomm (QCOM)	Goodyear Tire (GT)	Fiat (FCAU)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Anika (ANIK)	Sony (SNE)	TSN, Oct. \$95 calls vs short Sept. \$86.50 puts, 2500X
GDS Holdings (GDS)	Prudential (PRU)	QQQ, 2,700 March 2020 \$180/\$163 put spreads
Knowles (KN)	Southern (SO)	APO, 1250 March \$36 straddles sold
Aaron's (AAN)	Gap (GPS)	DY, 1,220 September \$45/\$50 call spreads
Fibrogen (FGEN)	Stericycle (SRCL)	UBER, September \$35/\$36.50 call spread 2,000X3,000

Extras

Quanta (PWR) with 6,000 February \$28 puts sold to open for \$0.75

Ferrari (RACE), Kimberly Clark (KMB), and CME Group (CME) seeing October Iron Condors open 1000X into the close

Flowserve (FLS) late day buyers of 4,000 November \$40 puts for \$2.20 to \$2.30

Advanced Auto (AAP) late day buyers of 3,000 December \$135 calls for \$9.60 to \$10.10

Wendy's (WEN) with 1,500 September \$22 puts sold to open for \$0.85

Calavo (CVGW) third straight session with buyers of 1,000 September \$85/\$75 put spreads

Ally Financial (ALLY) with 1,000 October \$30 puts sold to open around \$1

Cimpress (CMPR) late day buyers of 600 September \$120 calls up to \$5.60

ZenDesk (ZEN) buyers active yesterday for more than 3,250 September \$85 calls up to \$2.10 and follows buyers in the January \$82.50 calls for more than \$1.1M last week, 8-22. ZEN has seen buyers in the January \$80 calls and January 2021 \$115 calls in mid-August while the January 2021 \$95 calls with over 2400 in OI from buys. Shares pulled back recently to the rising 200-day MA where they formed a nice base and working higher now. The gap above runs up to \$90. The \$9.18B company trades 21.5X cash and 12.9X EV/sales with 30.5% and 27.75% revenue growth forecast. ZEN is guiding to over \$1.05/share in EPS by FY21. ZEN is coming off of a mixed quarter with caution over the outlook weighing on shares. They continue to see strong growth with 37% revenue growth and secular tailwinds from a growing \$20B+ opportunity between Customer Services Software and Contact Centers. ZEN has been adding new products including their open CRM platform, Zendesk Sell their foray into sales, and Zendesk Explore their data analytics tool. Analysts have an average target for shares of \$97. Compass Point started at Buy on 8-13 with a \$100 PT. The firm thinks ZEN is well positioned to benefit from the rising importance of messaging, and its Sunshine platform could be a "game changer." The firm thinks ZEN offers industry leading growth along with margin expansion. Jefferies with a \$102 PT on 8-6 noting the uptick in enterprise monthly recurring revenue "should allay concerns about the stalled out progress in recent quarters. Short interest is 5.8%. Hedge Fund ownership fell 13.5% in Q2. Alkeon Capital, Whale Rock, and Tiger Global top holders.

Open Interest Checks

BBD – January 2021 \$7 Short Puts from 11,569 to 26,569

DELL – December \$50 Calls from 10,031 to 22,232

YUM – Sept. \$115 Calls from 4,514 to 5,391

AAN – Sept. \$60 Calls from 1,145 to 1,669

DAL – Oct. \$57.50 Puts from 2,198 to 4,155

BILI – Sept. \$15 calls from 3,506 to 6,057

FSLY – Sept. \$30 calls from 1,935 to 2,906

MDCO – January \$55 calls from 1,327 to 2,521

AIMT – Sept. \$17.50 puts from 8,051 to 8,714

JKS – Sept. \$20 calls from 1,223 to 3,132

ABT – Nov. \$87.50 calls from 1,294 to 2,560

MXIM – Sept. \$55 calls from 1,151 to 2,153

WEN – January \$20 calls from 4,916 to 3,846

HGV – Oct. \$33 calls from 2,893 to 5,093

NXPI – Oct. \$100 calls from 7,577 to 10,575; October \$95 calls from 4,141 to 1,685

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BILI	BiliBili	-\$0.78	-\$0.86	\$1,537.7	\$1,480.84	49.8%	
CAL	Caleres	\$0.62	\$0.58	\$752.49	\$752.23	6.50%	
SXI	Standex	\$1.16	\$1.14	\$209.20	\$207.38	2.80%	

CAL – Beat on EPS and Revenues In Line - Consolidated sales of \$752.5 million, up 6.5%. Brand Portfolio sales of \$359.6 million, up 17.9%. Famous Footwear total sales of \$419.8 million, with same-store-sales up 1.5%. "During the quarter we successfully executed on our strategies to strengthen the emotional connections we have with our consumers. Our deep insights, combined with our industry-leading footwear capabilities, allowed us to deliver relevant product, supporting growth in the Brand Portfolio and positive same-store-sales growth at Famous Footwear," said Diane Sullivan, CEO, president and chairman of Caleres. "A continued focus on expense discipline improved profitability for the quarter. As a company, we remain focused on creating consistent, profitable and sustainable growth over the long term."

MOMO – Beat on EPS and Revenues - "Q2 was a good quarter. We continued to deliver strong financial results and make progress across all of our strategic priorities," commented Yan Tang, Chairman and CEO of Momo. "Since the full restoration of its download and payment service in mid-July, Tantan has been recovering with robust momentum across different user and revenue metrics. It demonstrated the strong demand for online dating service in China and Tantan's unique position in this sector. We expect Tantan to become an important driver of the company's growth in the coming few years."

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AMWD	American Woodmark	\$2.13	\$1.96	\$427.40	\$433.15	-0.40%	
PLAN	Anaplan		-\$0.16		\$78.25		
BMO	Bank of Montreal	\$2.38	\$2.49	\$5,779.00	\$5,817.20	4.60%	
BNS	Bank of Nova Scotia	\$1.88	\$1.85	\$7,659.00	\$7,860.18	6.70%	
CTLT	Catalent		\$0.65		\$719.20		
EV	Eaton Vance		\$0.86		\$433.98		
FRO	Frontline	\$0.02	\$0.02		\$98.65		
JILL	J. Jill	-\$0.05	-\$0.09	\$180.74	\$178.65	0.60%	FY In Line
SJM	J.M. Smucker	\$1.57	\$1.75	\$1,778.90	\$1,875.85	-6.50%	FY In Line
MOMO	Momo	\$0.82	\$0.72	\$604.90	\$584.68	22.40%	FY In Line

BNS – Beat on EPS and Missed on Revenues - "Meaningful progress was made this quarter to reposition the Bank and simplify the operations. As a result, we are better positioned for growth in our key markets. We formalized agreements to reduce our investment in Thailand and announced the divestiture of our operations in Puerto Rico and US Virgin Islands. The repositioning of our international footprint is now substantially complete" said Brian Porter, President and CEO of Scotiabank. "International Banking delivered another quarter of double-digit earnings growth. The business remains focused on successfully integrating our recent acquisitions while continuing to drive organic growth. We continue to see strong growth in the Pacific Alliance countries, led by Chile and Peru. The Bank continued to maintain strong capital ratios and reported a Common Equity Tier 1 capital ratio of 11.2%, or 11.7% on a pro-forma basis, including the estimated impact from announced divestitures. This quarter we announced a 3 cent increase in the quarterly dividend to 90 cents per common share, 6% higher than a year ago."

SJM – Missed on EPS and Revenues - "Our first quarter performance fell short of our expectations primarily due to the timing of shipments and deflationary pricing in the coffee and peanut butter categories, as well as competitive activity in the premium dog food category," said Mark Smucker, Chief Executive Officer. "We have continued momentum in many key product categories, and we are already taking decisive actions and prioritizing initiatives that strengthen our business. We remain confident in our strategy, which includes a continued focus on our growth imperatives to lead in the best categories, build brands consumers love, and be everywhere, combined with a relentless focus on operating with financial discipline, all of which will enhance shareholder value for the long term."