



Inside Today's Blitz

- China Manufacturing Expands in August, Services Beat as Recovery Continues
 - Congress Sets Stage for Budget Battle in September as Risk of Shutdown Looms
 - Trump Narrows Gap with Biden After RNC
- AT&T** is exploring options for **DirectTv**, again; **TikTok** sale may be complicated by new Chinese restrictions; **Berkshire** invests \$6.25B in Japan trading houses; **Nestle** buys **AIMT** for \$2.6B; **AAL** is cutting October capacity; **Reliance** buys **Future Group** for \$3.4B

Market Outlook

Futures indicating a positive open for the morning with the S&P up 24 bps, the Dow up 15 bps, and the Nasdaq up 43 bps. Oil is jumping with WTI up 1.3% and Brent up 1.45% as ADNOC cut October supply. Gold and silver are mixed with the latter up 1.13%. The dollar is down 9 bps. Bonds getting hit down 1.2%. There's broad strength across the softs/grains with Cocoa up 3.5%, coffee up 3.3%, and soybeans up 1.5%. Global markets are enjoying a strong morning as news flow was light this weekend. China data came in better-than-feared on Sunday night which is helping sentiment as the world's second largest economy continues to emerge from the COVID slump. US/China tensions remain in focus after a late Friday move by China's government to add new restrictions on tech exports. The rules likely complicate any TikTok deal. COVID continues to climb in the US even though the market seems to have moved passed it being an impactful thing. Cases are set to top

6M and there's a surge of new hot spots due to college resuming. In Washington, Biden's lead over Trump continues to narrow after the RNC and the President is set to hit the road this week to push his 'law and order' message in Wisconsin. Stimulus talks remain on hold until after Labor Day.

Asian markets were mixed this morning after a choppy overall session. China was modestly lower with Shanghai down 24 bps and Hong Kong down 96 bps. The Nikkei was up 1.12% with speculation the new PM will continue the easy policy regime of Abe. Five trading houses – **Itochu**, **Maurbeni**, **Sumimoto**, **Mitsui**, and **Mitsubishi** – all rallied 7% to 10% with the Berkshire news. **Softbank** up 3% after news it would sell a \$14B stake in their Japanese mobile unit. European markets are rising early amid positive sentiment around stimulus and positive China data. Automakers rallied with **BMW**, **Daimler**, and **VW** all up 1.5% to 2% while **Renault** was up 5%. Banks also broadly higher with **Commerzbank**, **Deutsche Bank**, and **BNP Paribas** up 2%. **Total** is up 2.5% after the UAE's ADNOC announced a 30% cut to supplies. **Suez** is up 20% after **Veolia** announced a bid for a 29.9% stake in the company. **Philips** is down 1.5% after the US government ended a ventilator purchase agreement early.

Calendar

Today... Fed's Clarida Speaks, Dallas Fed and **earnings tonight** from ZM

Tomorrow... Mnuchin testimony, Redbook at 8:55am, Manufacturing PMI at 9:45am, Construction Spending at 10:00am, ISM Manufacturing at 10:00am, API Inventories at 4:30pm.

Earnings from HOME, CAL, HRB, SCVL

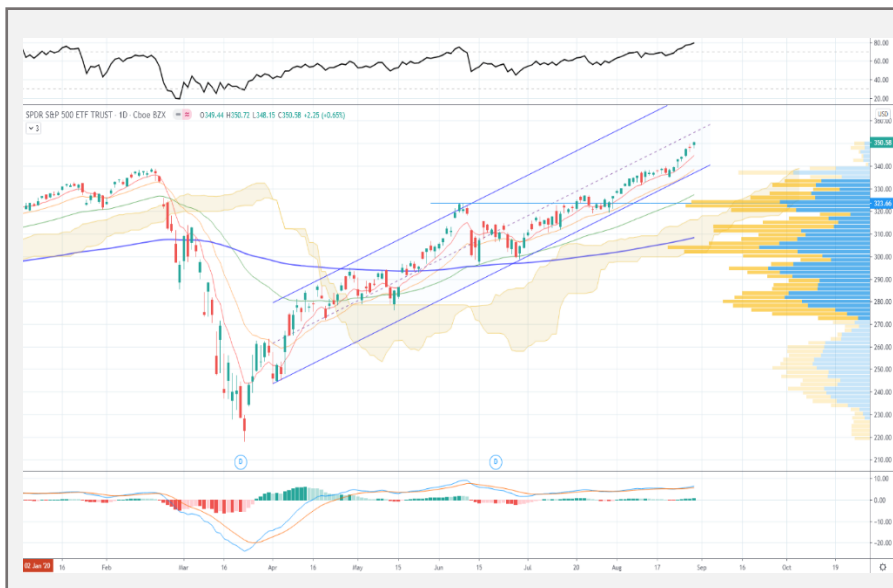
Analyst Days: Siemens Energy Meeting, NVDA GeForce Special Event

Later this week... ADP Employment (Wed), NFP (Friday), earnings from AMBA, MDB, SMAR, ZUO, AVGO, DOCU, and COST August Sales (Wed)

Overnight Markets

Cocoa	2628	3.50%
Soybeans	964.25	1.50%
Oil (WTI)	43.53	1.30%
Silver	28.11	1.13%
Copper	3.0515	1.06%
Euro	1.1929	0.29%
US Dollar	92.29	-0.10%
Gold	1972.4	-0.13%
Nat Gas	2.644	-0.49%
Natural Gas	2.642	-0.56%
Bonds	174.31	-1.20%
Lumber	766	-3.62%

Technical View



Key Levels to Watch

It was an active night for S&P futures after opening higher at 3,510. We had a strong push initially up to 3,524.5 where trading seemed to stall out and faded around midnight. The pullback so far has re-tested 3512.5 and near the open. Overnight VWAP is around 3517.25. On the daily, focus remains on how extended we are from the 8-day which is down near 3462.75.

Economic Data

- **China** PMIs for April were mixed: manufacturing at 51 vs 51.2 est.; services to 55.2 vs 54.2 est.
- **Japan** industrial production up 8% in July vs 5.8% est.; retail sales fell 3.3% vs 2.5% decline est
- **South Korea** industrial production rose 1.6% in July vs 1.9% est.

Macro News

- **China Sanctions** – The US added another 11 companies to their restricted list including Sinochem, says Reuters
- **Taiwan** is growing increasingly worried about China and has boosted their military spending, says WSJ
- **Japan** expects to elect a new PM around 9/17, says Nikkei
- **Denmark** will borrow more money to finance economic stimulus, says Bloomberg
- Former Fed President **Dudley** is skeptical of the Fed's impact and risk of people overinvesting in what they can do, says WSJ
- **COVID Testing** – The US is ramping capacity over fears the system will be overwhelmed by flu season, says WSJ
- Betting odds for the **Presidential Election** are now virtually tied, says RealClearPolitics. The latest reading has Biden leading Trump 50.6% to 49.1% after the RNC.

Movers

Gainers: AIMT 170%, GME 6%, YUMC 5%, YNDX 4.5%, HMY 4%, LI 3.5%, CCL 2.5%

Losers: NIO -6.5%, WMT -3.8%, TSM -2%

Insider Buying

VG, ELAN, CSOD, KW, KFS, CALX

Smart Money (13D/13F Filings)

IPO Monitor

No IPO's scheduled at this time

Stock-Specific News

Consumer

- **Cruise ship operators** are cautiously resuming sailing in Europe, says WSJ. They do note however that they are running well below capacity and face a lot of new costs to test for COVID
- **Reliance Industries** is paying \$3.4B to buy India's second-largest retailer **Future Group**, says FT. This is a move to compete better with **AMZN, WMT**
- **MCR Development** is buying hotel software company **Stay-n-Touch** for \$46M, says WSJ
- The WSJ positive on **PZZA** as the pandemic drives near-term comps and turnaround efforts could mean years of upside
- **SBUX** mentioned positively by Barron's as it remains well-positioned for a post-pandemic world and could see near-term demand as back-to-school puts more people out of the house
- Barron's positive **MCD** despite the legal issues and concerns around their former CEO.
- **CCH** completes combination with **Utz Brands (UTZ)**

Financials

- **Berkshire Hathaway (BRK.B)** buys up 5% stakes in five major Japanese trading companies. The \$6.25B investment has been built over a year in Itochu, Marubeni, Mitsubishi, Mitsui, and Sumimoto
- **The WSJ says COVID has left banks with lots of cash and little to do with it.** They're raking in fees and deposits at a time when they are also bracing for a wave of soured loans.
- **Blackrock (BLK)** has gained approval to launch a mutual fund business in China, says WSJ
- **Hurricane Laura** damages from wind/rain are expected to be between \$8B and \$12B, says NYT
- Barron's positive on **SLG, VNO, ESRT** noting that based on cash flow, all three of these New York REITs trade cheaply and amount to a speculative bet on a postpandemic recovery, because a successful vaccine would be sure to give a big lift to the city's economy

Healthcare

- **Nestle to buy Aimmune (AIMT) for \$2.6B** or \$34.50/share. This is a sizable premium to the \$12.60 closing price on Friday. The company currently owned a 25.6% stake.

Inside the Hawk Database

PZZA with size buyers in the October \$90 calls on Friday and adding to OI

Inside the Hawk Database

SBUX has run strong lately and flows continue to support further upside, the Sept. 11th (W) \$85/\$90 call spread bought on Friday while the Nov. \$85 calls opened on 8/26

On the Chart

BLK strong chart with shares flagging under \$605 and above the 8- and 20-MA, standout financial looks ready to run

Sympathy Movers

DBVT on watch as the other major peanut allergy developer in the space

OptionsHawk Market Blitz

- **Sanofi (SNY)** CEO said he is more confident in their COVID vaccine after early results, per Reuters
- **Ionis (IONS)** will acquire the remaining 24% of Akcea (**AKCA**) is doesn't own already for \$18.15/share in cash
- **Moderna's (MRNA) patents are being probed by the DOD, says FT.** Their research arm is probing patents filed by and awarded to Moderna after researchers accused the company of failing to disclose government funding as it is required to do by federal law
- **ABT** is conducting trials for a rapid COVID test for asymptomatic patients, says CNBC.
- **GILD** says the FDA expands EUA for Veklury for COVID patients
- ESC Congress 2020 kicked off with data from **AZN, AMRN, JNJ, AKCA, IONS, AMGN, LLY, BLUE, MYOK, NGM, MIRM, and MDT**
- **CanSino in talks with countries over early approval of COVID vaccine,** says WSJ. The Chinese drugmaker developed the vaccine with the military
- **Philips** lowered their margin outlook after the US government cut a \$650M ventilator deal early, says Bloomberg

On the Chart

NGM looks like an early winner with their data release and shares set to clear a multi-week downtrend after testing the 200-day last week, plenty of room back to \$22+ and the June highs

Energy & Materials

- **HUN** is selling the remaining interest in **VNTR** for \$100M
- **BP** is selling their London headquarters as more workers go remote following COVID, says the London Times
- **Sinopec** reported its first half-year loss due to the pandemic's weakening demand for fuel, says FT
- **Veolia offers \$3.5B for Suez stake, eyeing takeover, says Bloomberg.** The company offered to acquire the stake from energy giant Engie SA for a 27% premium

Industrials

- **American Air (AAL)** is cutting capacity for October 55% after dropping 15 cities, says Bloomberg
- **UAL** is dropping a much-maligned ticket change fee, says NYP
- Barron's positive **TOL, TMHC**. The two luxury-home builders look like better bets in the near-term than peers as home-buyer interest has soared, fueled by demographic trends, ultralow interest rates, and urban flight spurred by the coronavirus pandemic
- **Housing demand in NY tri-state area is 'insane' says NYT.** This comes as more people leave the city for more suburban areas.
- **MGA** positively mentioned by Barron's an under-the-radar EV play

Inside the Hawk Database

TMHC a favorite, smaller housing play that doesn't get a lot of attention but sets up well for a move above \$26 back to test new highs and 1200 July \$25 puts sold to open on Friday

Tech/Telecom

- **AT&T (T) again exploring deal for DirecTV, says WSJ.** The company is expected to keep a 50% stake in the unit and has been in talks with private-equity suitors. They bought the company in 2015 for \$67.1B
- **Centricus, Triller** are planning joint bid for **TikTok's** US assets, says Bloomberg. The joint bid would be around \$20B but TikTok says it hasn't received an official offer
- **Any deal for TikTok will be complicated by new rules from China over tech exports, says the NYT.** China on Friday updated its export control rules to cover a variety of technologies it deemed sensitive, including technology that sounded much like TikTok's personalized recommendation engine.
- **China would have no need for Apple (AAPL) products if WeChat banned,** says Apple Insider. The comments come from the China Foreign Ministry
- **Salt Mobile** rebuffed an approach by **Liberty (LBTYA)** before they turned to **Sunrise,** says FT
- **Pinterest (PINS)** has terminated a future lease agreement for a 490,000 square foot office complex in SFO as their workforce will remain more remote due to COVID
- **BT Group** is a potential takeover target, says FT. This comes with the recent share slide and KKR noted as buyer
- **Epicor Software** is near a deal to be sold to CD&R for \$4.7B, says WSJ

Sympathy Movers

DISH is the clear mover today on this news as it again revives speculation of a merger between the two

On the Chart

PINS a top setup on the chart into the week with shares consolidating the earnings gap well and 8- and 21-MA both curling higher

Analyst Notes

Upgrades

- **CSX** upgraded to Overweight at Stephens, sees the recent positive inflection in the freight market, easing year-over-year comparisons, a substantial truck-to-rail conversion opportunity, and the significant operating leverage following the company's Precision Scheduled Railroading implementation all adding up to a more favorable set-up
- **BYND** upgraded to Neutral at Citi, \$141 PT, Beyond's recently launched direct-to-consumer site could be a "good source of growth," both during the COVID-19 period and over the longer-term
- **PINC** upgraded to Buy at Guggenheim
- **HTA** upgraded to Buy at RJF

Inside the Hawk Database

CSX sets up well here for a multi-week breakout above \$76.75 and a measured move to \$85+. There has also been buyers recently in the September \$77.50 calls, October \$77.50 calls, and sellers in the November and June 2021 puts

OptionsHawk Market Blitz

Downgrades

- **MTN** downgraded to Neutral at Keybank, While skiing is poised to be a large beneficiary of the secular "outdoor renaissance" this winter, behavior shifts are likely to impair the traditional, destination ski resort business model in the medium term, prompting "less enthusiasm" around Vail's risk/reward at current share levels. The firm notes that 55% of the company's visits are destination guests.
- **NPTN** downgraded to Hold at Needham, the new Commerce rules "make selling anything to Huawei look unlikely." As a result, the firm cut Huawei revenue out of NeoPhotonics' estimates.
- **WMT** downgraded to Hold at R5 Capital, \$147 PT
- **NBL** downgraded to Neutral at Citi

Initiations

- **RXT** initiated Buy at Goldman, \$44 PT; well positioned to aid the transition from self-managed IT services to an end-to-end multi cloud service management platform
- **RXT** also started Buy at BMO, \$23 PT; Buy at Citi \$24 PT; Buy at Barclays, \$24 PT; Buy at CSFB, \$27 PT; and Buy at RBC \$29 PT
- **OSH** initiated Buy at Goldman, \$66 PT; an opportunity to buy into a "unique capitated MCO-agnostic provider model" in the attractive Medicare Advantage end-market with growth opportunities in new and existing markets across the country
- **OSH** also started Buy at Piper, \$54 PT; Buy at William Blair and Neutral at MSCO, \$50 PT
- **RKT** initiated Buy at BAML, \$32 PT; there is more room to run as "ultra-low" interest rates and a "strong" housing market create a very favorable backdrop for mortgage originations
- **RKT** also started Buy at RBC, \$32 PT; Buy at Citi \$35 PT; and Neutral at Goldman, Wells Fargo, Barclays, CSFB, and UBS
- **BIGC** initiated Sell at MSCO, \$52 PT; rating is "all about the valuation, not the opportunity" as he sees "plenty of growth ahead" for BigCommerce given how COVID-19 has become an accelerant to adoption of e-commerce
- **BIGC** also started Neutral at Jefferies, Barclays, Canaccord, RJF, and Truist

Inside the Hawk Database

RXT has seen a lot of bullish flows since its debut including buyers in the Sept. \$15 and \$20 calls and the November \$17.50/\$22.50 call spread

Other Commentary

- **NGM** data was very strong, says Piper. The analyst said there were several data points showing aldafermin's clear antifibrotic benefit in F3 patients as well as cardiovascular safety

OptionsHawk Market Blitz

- **SVMK** PT raised to \$30 at JMP, cites the company's "multiple catalysts" with the launch of GetFeedback CX Suite in Q4 and the monetized usage of response-based pricing across Enterprises heading into 2021
- **GE** JP Morgan withdrawing PT, sees fair value below \$5; Unlike peers, GE continues to have no official guidance, which implies difficulty seeing three to six months out, while debt maturities and options resets suggest GE does not see normal until 2024
- **MSFT** PT raised to \$240 at Mizuho, firm believes Azure demand trends have remained "very good," and is encouraged by signs of increasing monetization of Microsoft 365 / Office 365
- **AAPL** Barclays cautious, With easy compares, the iPhone 12 will be more successful than the prior five launches based on the macro recovery and leveraging a much older installed base. However, the analyst's analysis of 5G in China and Korea indicates that despite significant ramps in 5G, overall units are not growing and may be declining.
- **ABT** CSFB raising PT to \$136; firm's view remains that lateral flow tests, which can be performed without instruments or equipment, by wide range of individuals, will be an important and widely used tool for mitigating the risk of spreading the virus while reopening businesses and schools

Inside the Hawk Database

ABT size buyers on Friday of the January 2022 \$165 calls, over 3000X

What They're Saying

Hibbett Sports (HIBB) Chief Merchant Jared Briskin on returning to store growth in 2021, growing omni-channel and winning... We certainly did historically close some stores. They were poor performers and they were closed when the lease came up for renewal. So that the company didn't have any extraordinary cost in closure and the capital was reallocated. That historically was happening given the health of the current fleet of stores, plus the underlying changes to the competitive landscape plus the changes to our business model which had been relatively substantial. We really are very optimistic about the fleet of stores that we have today. And that comes from a number of things, not the least of which is the improved selection of merchandise in the stores, the improved morale in the stores as well as the sales training that's going on and morale comes from winning. And it's as simple as that. People like to win and when you win they want to win some more. Winning deals in the store level hit my bonus target. And everyday I go home, I feel like I have won. So winning begets winning and the sales training that's going on in the stores is helping that flywheel to turn a bit faster. And I don't know if I have mentioned omni-channel yet, but that is a substantial portion of our business and we really like what's going on there, right. Pure play, e-commerce businesses have a problem. Pure play, brick and mortar businesses have a problem. Good retail is omni-channel where you have both and you do them both very, very well. And I will say Bill Quinn and Ben Knighton's teams are executing a very high level with regards to the omni-channel business. So as a result we believe that there is a tremendous opportunity to turn back on the sort of net store growth. We will always have a handful of stores that are underperforming, because when you have a portfolio of stores, we are going to open some that aren't as good as others. So we will close a handful every year when the leases come up, and that's the appropriate way to do it. At the same time, we have a lot of white space opportunities...

Trade Ideas

Keurig Dr. Pepper (KDP) shares trading in a nice bull wedge above a confluence of support including YTD VPOC at \$28.50, the 50-MA, and cloud. MACD is also improving and near a bull cross while RSI is back above 55 and running. Shares are setting up just below the November/December highs as well with a lot of inside support and options flow across the September and October expirations.



Daily Technical Scans

Ready to Run: SYK, EQIX, CTSH, TROW, IQV, NDAQ, LNT, MAA, AMH, JBL, SLGN

Reversal Days: TGT, CMI, CFX, WMS, DNLI, KBH, PZZA

Inside Weeks: C, GD, GM, DD, CS, AFL, APTV, DISH, DVA, ALB, BWA, AOS, IPG, DAR, AER, GPK, FLS, CC, AA, ARNC, CPRI, ADS, BE, CIT, ADNT, BBBY, DLPH, EVH, FCAU,

Earnings Preview

Zoom Video (ZM) reporting earnings tonight with the Street looking for \$0.45 on \$500.45M in revenue. Shares have closed higher in two of its only three earnings reports with an average closing move of 9.95% and a max move of 18.41%. The current implied move is 10.5%. The \$83.18B company trades 75X cash, 190.3X earnings, and 100.6X EV/sales with some explosive growth projections including 191% revenue growth in FY21. ZM continues to expand infrastructure to meet the surging demand clocking 200% growth in minutes used for customers in Q1 and a peak of 300M+ daily meeting participants. ZM is continuing to focus on growing within enterprise customers and upselling on the Phone side as their customer base continues to build, albeit likely a slower rate this quarter. They have an elite dollar expansion rate of 130% and International remains a big opportunity that remains mostly untapped. ZM has concerns around valuation, growing competition, and potential for market growth as the pandemic has essentially pulled forward much of their TAM into the last 2-3 quarters. Analysts have an average target for shares of \$216.5. MSCO raising their PT to \$240 recently citing the work the company is doing to sign customers to long-term, multi-product deals. RBC with a \$300 PT as they think app downloads "remain strong" and he sees a "path" toward Q2 revenue exceeding consensus expectations even with valuation trading at such a high level. They also noted that despite only a single digit percent of free users planning to convert to paid in a recent survey, it will still provide a meaningful boost to enterprise Meetings and Phone revenue. Rosenblatt positive on 8/21 raising estimates as they very strong revenue while competitive headwinds remain a longer-term issue. Hedge fund ownership rose 32.3% in Q2. Hillhouse Capital, Coatue, Whale Rock, Lone Pine, Tiger Global, and many other notable names invested. On the chart, ZM is a bit elevated now with the recent bull flag targeting \$330 and ample support around \$260.

Open Interest Checks

Ticker	Contract	OI Checks		
		Prior OI	New OI	OI Change
DKNG	September \$40 Calls	8,729	21,398	145.14%
AA	January 2022 \$15 Short Puts	1,430	3,430	139.86%
MDT	February \$120 Calls	1,877	3,525	87.80%
PZZA	October \$90 Calls	726	1,287	77.27%
LUV	January \$37.50 Calls	2,143	3,620	68.92%
BYND	October \$160 Calls	4,772	7,563	58.49%
SIRI	December \$7 Calls	19,286	30,525	58.28%
WDC	October \$45 Calls	6,340	9,573	50.99%
LVS	September \$57.50 Calls	3,925	5,840	48.79%
MGM	October \$25 Calls	7,714	11,390	47.65%
AMZN	November \$3400 Calls	1,863	2,737	46.91%
DAL	December \$40 Calls	9,029	12,348	36.76%
QCOM	January \$130 Calls	3,087	4,056	31.39%
RRR	October \$20 Calls	4,703	5,891	25.26%
GOLD	October \$30 Calls	6,291	7,776	23.61%
NXPI	June \$60 Calls	2,194	1,001	-54.38%
FSLY	December \$100 Calls	4,473	1,385	-69.04%
INO	February \$5 Short Puts	10,598	599	-94.35%

Extras

Apple (AAPL) protective spread sells 3,000 March \$580 calls to buy the \$480/\$320 put spread for \$8.90

Salesforce (CRM) buyer of 3,150 October 2nd (W) \$270 calls bought for \$15.99 and later 2,000 January \$270 calls bought \$31.99

Alexion (ALXN) with 1,400 November \$130 calls bought \$1.90 to \$2.20

Digital Turbine (APPS) late surge in activity with buyers in the September \$25 and October \$25 calls, shares consolidating the recent gap higher

Draft Kings (DKNG) buyer of 8,000 September \$40/\$45 call spreads for \$1.30

Papa Johns (PZZA) buyers of 925 October \$90 calls up to \$12.10

Scorpio Tankers (STNG) buyers of 2,000 September \$11 calls up to \$1.25

China Mobile (CHL) buyer of 900 March \$37.50 calls for \$2.30 to \$2.50

Wells Fargo (WFC) late day spread sold 15,000 November \$22.50 puts to buy the \$25/\$30 call spread

E-Health (EHTH) with 650 January 2022 \$135/\$165 call spreads bought for \$2.40

Moderna (MRNA) with a buyer of 800 April \$65 puts for \$18.90 to \$19

Disclosures

Not Investment Advice or Recommendation

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