



## Inside Today's Blitz

- China Manufacturing Continues to Show Signs of Improvement in August
  - Europe's Second Wave Underway as Spain Sees Surge of New Infections
  - Mnuchin to Testify in Front of House COVID Panel
- AAPL** is targeting 75M 5G iPhones in the Fall, in line Y/Y; **AZN** expands supply agreement with Oxford; **WMT** is launching their sub-service on 9/15; **HTZ** may sell its fleet leasing and logistics business; **Macau** revenue fell 95% in August, in line; **EU bank M&A** should start, says ECB VP

## Market Outlook

Futures indicating a modestly higher open for the day with the **Dow** up 2 bps, the **S&P** up 30 bps, and the **Nasdaq** up 99 bps. Energy is rallying again with **WTI** up 1.15% and **gasoline** up 1.4% as well. Precious metals are bid with **silver** up 2%. **Bonds** are weak down 55 bps while the **US dollar** is off by another 30 bps. The **Euro** is breaking out of a bull flag this morning up 40 bps. There was a lot of data overnight, mostly positive across Asia as China Caixin PMI continued expansion, while Germany raised their economic outlook for 2020 while keeping 2021 low. Otherwise, it was a quiet night for headlines. Mnuchin will testify later today in front of the House COVID panel on the urgent need for more stimulus. This will be the first time he'll speak publicly since talks between the two sides broke down – and reminder, those talks are completely stalled until after they return from break. The President will be in Wisconsin today visiting Kenosha as he pushes his law and

order platform. Turning to COVID, nothing major developing today. The NYT with a deep dive looking at how the second wave is under way.

Asian markets were mixed overnight after final PMI data across the region showed continued expansion. Shanghai was up 44 bps while Hong Kong was fractionally higher. Japanese markets were weak down 1.7%. The big five trading houses extended their gains after the Berkshire announcement. European markets are mostly higher, albeit a quiet market. The FTSE is near a 1-month low as financials drag. The DAX is up 80 bps. Apple suppliers rallied with reports the company is looking to make 75M 5G phones for the Fall. **Dialog Semi**, **Infineon**, and **ASML** up 2.5% to 3% each. Telecom operator **Freenet** up 2% after their announced a big buyback. **Oxford Biomedica** up 1% after they agreed to a big supply and manufacturing expansion with AstraZeneca. Miners like **Anglo American** and **Glencore** both higher by 2.5% after China's manufacturing data. Asian-focused lenders **HSBC** and **Barclays** both down 3% in London. Home furnishing retailer **Dunelm** up 3% after strong sales in the last two months.

## Calendar

**Today...** 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

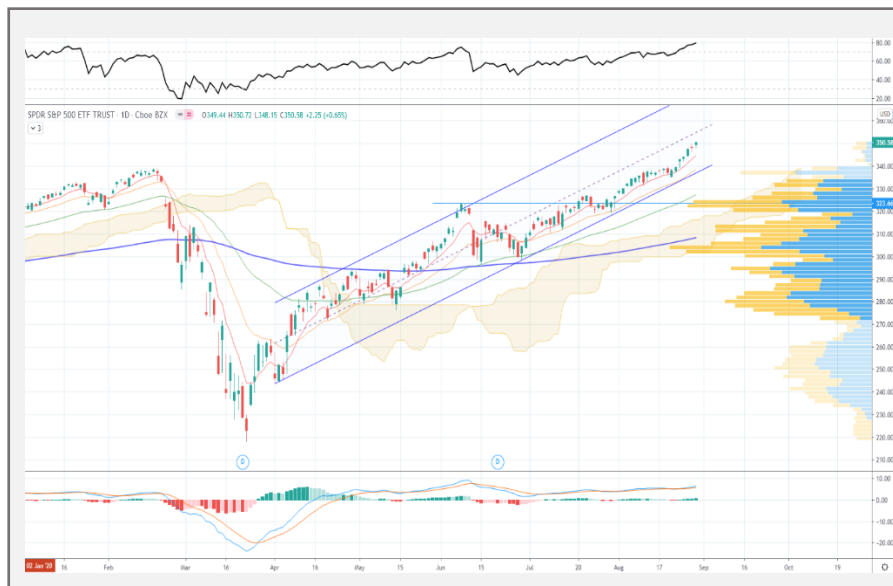
**Analyst Days:** Siemens Energy Meeting, NVDA GeForce Special Event

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

## Overnight Markets

Silver	29.2	2.12%
Oil (WTI)	43.08	1.10%
Gold	1998	0.98%
Euro	1.1994	0.45%
Nat Gas	2.639	0.30%
Copper	3.065	0.11%
US Dollar	91.81	-0.35%
Bonds	174.81	-0.52%

## Technical View



### Key Levels to Watch

A strong night for S&P futures after the late-day sell off on Monday. We hit a quick overnight low around 3485 before bouncing and never looking back. The trend up night took us all the way back to 3515 and just above Monday's regular session highs. We're flagging now and a move higher targets 3530. Overnight VWAP is at 3504. We remain very elevated from the 8-EMA on the daily.

## Economic Data

- **Japan** manufacturing PMI 47.2 vs 46.6 est
- **Taiwan** manufacturing PMI 52.2 vs 50.6 est
- **China** manufacturing PMI 53.1 vs 52.5 est
- **Japan** unemployment 2.9% vs 3% est.
- **Hong Kong** retail sales fell 23.1% vs 27.4% drop est.
- **EU** CPI for August -0.2% vs 0.2% est.
- **German** unemployment fell 9,000 in August, better than expected of 2,000 down

## Macro News

- **Trump** will travel to Kenosha today to give a speech about law and order, says Reuters
- **Stimulus** – Senate Republicans will introduce a new bill in September, says Reuters
- **South Korea** plans to sell a record amount of bonds in 2021 as it looks to fund large deficits, says Bloomberg

### Movers

**Gainers:** KODK 38%, GOGO 23.5%, ZM 17%, DOCU 5%

**Losers:** SCSC -10%, EYE -9%

### Insider Buying

ACM, PLAG, NGM, FLXS, VG

### Smart Money (13D/13F Filings)

DE Shaw with a 5.2% stake in **KODK**

### IPO Monitor

No IPO's scheduled at this time

## Stock-Specific News

### Consumer

- **Macau** casino revenue for August was down 94.5% vs down 93% estimate, about in line with expectations
- **Hertz (HTZ)** is open to selling its fleet leasing and management business for \$1B, says Bloomberg.
- **JC Penney** said talks with SPG/Brookfield on a deal have stalled and they're looking to sell assets, says Bloomberg
- Deep discount e-commerce operator **Wish** has filed for an IPO, says CNBC. The company's valuation jumped from \$8.7 billion to \$11.2 billion in its latest funding round last August.
- **WMT** says their sub-service will launch 9/15

#### Sympathy Movers

**MLCO, MGM, WYNN, LVS**  
all on watch as data was  
'better' than expected

### Financials

- **Eurozone bank M&A should start soon**, per ECB VP. According to the NYT, de Guidos says consolidation should happen as an efficient way to reduce costs to cope with the consequences of the COVID-19 pandemic
- **New Jersey is considering a tax on high-volume electronic trading**, says Bloomberg. The move wouldn't happen until October. Tax on trades at server farms would raise 'significant amount'

#### Sympathy Movers

**VIRT** a name to watch on  
this New Jersey talk as they  
are located in Carteret and  
one of the most visible HFT  
firms on the market

### Healthcare

- **Bayer** will acquire 70% of online vitamin retailer **Care/of** for \$225M, says Bloomberg. The German company will have an option to acquire the remaining 30% by 2022
- **Vanda Pharma (VNDA)** says they're working with the FDA to resolve issues regarding toxicity study
- **AZN, Oxford** expand their supply tie-up for COVID vaccine, says Reuters. The move comes ahead of potential EUA in the US
- **AZN** says Imfinzi was approved by the EU for ES-SCLC
- **SNY** says Kevzara Phase 3 trial did not meet primary, key secondary endpoints in COVID-19
- **TTOO** gets FDA EUA for COVID test

#### Inside the Hawk Database

**AZN** large buys of the  
October \$50 calls and  
January \$57.50 calls last  
week, the latter over 9000X

## Energy & Materials

- **Maersk** is targeting a reorganization, says Reuters.
- **Nippon Steel** will target M&A opportunities, but not in Japan, says Reuters. The world's third-biggest steelmaker wants to boost its group-wide crude steel output to 100 million tonnes

### Sympathy Movers

US steel names on watch include **X, AKS, NUE, STLD**

## Industrials

- **Tesla (TSLA)** files to sell up to \$5B in common stock under equity distribution agreement
- Auto parts maker **Shiloh** has filed for bankruptcy and will sell its assets to MiddleGroup Cap for \$218M, says WSJ
- **Ford (F)** is preparing to cut 1000 jobs in North America, says Reuters
- **DAL, AAL** to follow UAL and eliminate change fees, says WSJ
- **Air France** is likely to raise funds by next Spring, says Bloomberg
- **Cathay Pacific, GE** enter aviation digital partnership

## Tech/Telecom

- **Apple (AAPL)** is targeting 75M 5G iPhones, watches and new iPad says **Bloomberg**. This is about in line with last year's production
- **Facebook (FB)** is now expected block content to avoid regulatory risk, says Bloomberg. This gives the company power to remove speech even if it isn't illegal
- **Gogo Wireless (GOGO)** has agreed to sell its commercial unit to **Intelsat** for \$400M, says Bloomberg
- **NPTN** affirms their outlook but says they now expect no revenue from Huawei beyond September
- **COHU** says they're seeing a benefit from the Huawei ban as more of their customers gain share
- **PFPT** announces \$300M buyback
- **GIC, Brookfield** to buy Indian telecom towers for \$3.4B, says Reuters. The deal is for around 135,000 communication towers used by Reliance's telecoms venture Jio Infocomm
- **TPG** is exploring a deal for cable operator **Astound**, says Reuters. The US operator could fetch \$8B

### Sympathy Movers

Apple suppliers likely see a boost from this including **SWKS, QCOM, CRUS**

### On the Chart

**COHU** back at channel support of a multi-month run higher and just above July VPOC

## Analyst Notes

### Upgrades

- **EQR** upgraded to Buy at Mizuho, firm sees the Sunbelt apartment REITs as "net winners" in the near-term and believes Equity Residential shares now offer an "intriguing risk/reward."
- **NVS** upgraded to Buy at MSCO, Co. has five "hidden" pipeline assets expected to be launched by 2025 that are not reflected in its share price while Ligelizumab for hives and MBG453 for blood cancers could be launched as early as 2022
- **ZM** upgraded to Buy at BTIG, firm believes global widespread adoption of Zoom "is still in the early stages," as the longer-term shift to a hybrid work model will likely drive outsized growth and market share gains over the next several years
- **ZEN** upgraded to Buy at Piper, sees several underappreciated levers that could spark a demand recovery into 2021 for Zendesk
- **QCOM** upgraded to Neutral at Wells Fargo, firm failed to appreciate the likelihood of a license agreement with Huawei or the successful appellate outcome to the original Federal Trade Commission ruling against Qualcomm
- **NPTN** upgraded to Buy at B Riley
- **BLMN** upgraded to Strong Buy at RJF
- **ZM** upgraded to Neutral at Goldman

### Downgrades

- **TTM** downgraded to Neutral at Macquarie
- **DRI** downgraded to Outperform at RJF
- **EAT** downgraded to Neutral at RJF

### Initiations

- **APLS** initiated Buy at Stifel, \$40 PT; recent hematologist survey suggested meaningful future utilization of the company's pegcetacoplan in both first and second-line treatment of PNH
- **GLUU** initiated Buy at Goldman, \$9.80 PT; bookings growth will be driven by new game launches, contributions from its portfolio of "Growth Games" and selective tuck-in acquisitions
- **CMPI** initiated Buy at BMO, \$32 PT; The company's lead drug CMP-001 is the best TLR9 agonist in development given a more favorable efficacy/safety profile, due to a differentiated mechanism and expansion into additional cancers could open up the \$40B-plus immuno-oncology market for Checkmate

#### Inside the Hawk Database

**EQR** a lot of bull flow lately including sellers in the October and April puts, seeing limited downside with the recent dip back to \$53

#### On the Chart

**ZEN** strong chart that is back near new highs above \$100 with a measured move to \$115 on a breakout. Yesterday's move took it right to the high of July value, so eyeing a push above

#### Inside the Hawk Database

**GLUU** buyers of 6000 December \$11 calls on 8/13 and over 10,000 December \$8/\$10 call spreads in mid-August as well

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- **TGTX** initiated Buy at JP Morgan, \$38 PT; sees "compelling" commercial potential in the indolent non-Hodgkin lymphoma and chronic lymphocytic leukemia populations
- **MSI** initiated Buy at MSCO, \$28 PT

## Other Commentary

- **PYPL** PT raised to \$238 at KBW, with e-commerce "tailwinds abounding," PayPal remains an attractive opportunity
- **AMD** PT raised to \$84 at Goldman, while AMD's "strong" product roadmap execution has led to meaningful share gains across its product lines, and ongoing process node migration issues at Intel INTC) should contribute to further share gains
- **PENN** has upside to \$200/share in a few years, says Craig Hallum
- Goldman raising estimates on **UNP**, **NSC**, **CSX**
- **TSLA** PT raised to \$290 at RBC
- **AAPL** PT raised to \$140 at BAML

### Inside the Hawk Database

**UNP** with size in the June \$210 calls bought recently as well as the January \$195 calls on 8/21

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## What They're Saying

**Toll Brothers (TOL) CEO Douglas Yearly on demand dynamics...** Our primary customer demographic, college educated professionals is working from home much more, and we believe, this will continue long-term. The unemployment rate for college graduates is lower than that of the population in general. Their job prospects appear to be holding up well, which gives them confidence to buy a new home. In addition, they are more likely to have accumulated wealth from the strong stock market. Another factor we see driving demand is millennial demographics. **Millennials**, many of whom are now in their thirties and forming families, are buying homes. They **have wealth from a combined 20 to 30 years of work generated savings, which can enable them to afford a first home that is bigger and higher priced than the typical starter home**. We are capturing an increasing share of these buyers with our more affordable luxury homes, about 25% of our sales involve a first-time buyer. On the flip side, **this new nesting phenomenon is causing many baby boomers to accelerate their plan for downsizing in anticipation of retirement**, as that end of our business has also improved. We are also benefiting from our attractive landholdings in desirable suburbs of major coastal cities. In these markets, we believe a desire for more spacious living, while still remaining near to friends, family and the office is driving suburban demand for our homes. **With a long-term increase in remote working, many people are now choosing to live where they want rather than where their job previously required**. We've seen a significant increase in relocation traffic to our communities in Boise, Salt Lake City, Las Vegas, and Reno, Metro Phoenix, Denver, Austin, and of course, Florida, as people chase the sun.



## Earnings Review

**ZM – Beat on EPS and Revs** - "Organizations are shifting from addressing their immediate business continuity needs to supporting a future of working anywhere, learning anywhere, and connecting anywhere on Zoom's video-first platform. At Zoom, we strive to deliver a world-class, frictionless, and secure communication experience for our customers across locations, devices, and use cases," said Zoom founder and CEO, Eric Yuan. "Our ability to keep people around the world connected, coupled with our strong execution, led to revenue growth of 355% year-over-year in Q2 and enabled us to increase our revenue outlook to approximately \$2.37 billion to \$2.39 billion for FY21, or 281% to 284% increase year-over-year."

Sympathy Movers  
**DOCU on ZM**

**RXT – Missed on EPS and Beat on Revs** - CEO Kevin Jones commented, "We are proud and very excited to report our second quarter results following our IPO earlier this month. The quarter was highlighted by accelerating revenue growth driven by our ramping sales bookings growth over the past year. This quarter's impressive 107% growth in sales bookings further validates our conviction in the massive opportunity presented by the tectonic shift to multicloud. Rackspace Technology is uniquely well positioned as a leading end-to-end multicloud solutions provider and each one of our nearly 7,000 Rackers are eager to serve that market need each and every day."

## Trade Ideas

**Zebra Tech (ZBRA)** strong setup with shares flagging under \$290 and just above the June highs with a measured move targeting \$310. MACD is nearing a bullish crossover and RSI setting up well with a long squeeze in play on the daily.



### Daily Technical Scans

**Bullish Reversal Days:** LMND, ETSY, CHGG, TTWO, AAP, EBAY, TSCO, NOMD, AZO

**Bearish Reversal Days:** WB, LYFT, FDX, LBTYA, TJX, STZ, MDT, AMT, KO, ADM, JNJ, BRK.B

**Ready to Run:** REGN, FISV, ATVI, GPN, DLR, ORLY, SBAC, IDXX, TROW, IQV, WEC, MCK, SWKS, INCY, WIX, ATUS, ZBRA, STE, MAA, PKI

## Earnings Preview

**Crowd-Strike (CRWD)** will report earnings on Wednesday after the close with the Street looking for a \$0.01 loss on \$188.56M in revenue. Shares have closed higher in two of the last three with an average closing move of 6.34% and a max move of 14.8%. The current implied move is 10%. The \$26.8B cloud-based security company trades 26.7X cash and 46.5X EV/sales, rich on valuation. The Street is looking for \$70-\$80M in ARR with some of the higher targets around \$85M. The company is one of many benefiting from more widespread Work-from-Home policies during the

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pandemic as companies look to secure a wider array of devices. CRWD is expanding their Falcon Prevent product for Home Use, especially across ransomware which has been prevalent, while also introducing Burst Licensing for remote workers. Analysts have an average target for shares of \$110. RBC positive on 8-28 and expects the company's earnings and guidance to be "strong" with upside to consensus revenue and ARR being driven by tailwinds from both the macro and the competitive environment. JMP's analyst positive on 8-25 citing his discussions with vendors that indicate the demand for "next-generation" end-point security is "robust", with the company seen as extending its lead in the market. Mizuho raising their PT to \$120 on 8-19 as checks were highly favorable once again, as the analyst continues to hear of "strong demand" for CrowdStrike's products. Checks continue to indicate an unusually high degree of disruption at **Broadcom's (AVGO)** Symantec, which is providing "an additional boost" to CrowdStrike. Short interest is 3.9% and near all-time highs. Hedge fund ownership fell 15% in Q2. Tiger Global, Coatue, Altimeter, and Point72 all notable buyers. Options flow has been bearish recently with put buyers and call sales across September and October options.

## Open Interest Checks

OI Checks				
Ticker	Contract	Prior OI	New OI	OI Change
TJX	October \$60 Calls	10,574	24,064	127.58%
TPR	November \$12.50 Puts	2,840	6,030	112.32%
SPY	January \$310 Puts	84,528	176,713	109.06%
FCX	October \$16 Calls	5,104	10,238	100.59%
BABA	October \$340 Calls	1,626	3,110	91.27%
AMRN	September \$8 Calls	22,056	38,056	72.54%
FITB	September \$22 Calls	4,049	6,738	66.41%
AMZN	November \$3500 Calls	3,478	4,716	35.60%
QQQ	March \$255 Puts	118,603	156,114	31.63%
MS	October \$52.50 Calls	19,563	21,959	12.25%
AMD	October \$95 Calls	6,540	7,068	8.07%
EAT	October \$45 Calls	3,057	2,088	-31.70%
RST	September \$25 Calls	19,515	7,872	-59.66%

## Extras

**Silver (SLV)** with 25,000 October \$31.50/\$33 call spreads bought for \$0.25 and 6,000 January \$25.50 puts sold to open from \$2.81 to \$2.78

**Industrials (XLI)** with 2,000 January 2022 \$65 puts sold to open for \$4.65

**Gold (GLD)** buyers of 6,000 October \$188 calls from \$4.35 to \$4.45

**Chemocentryx (CCXI)** with 600 November \$38 puts sold to open for \$3.90

**Car Parts.com (PRTS)** with 650 January \$12.50 calls bought \$3.90 to \$4.09



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**National Beverages (FIZZ)** with 400 December \$85 puts bought \$14.39

**TripAdvisor (TRIP)** with 4,000 October \$23 puts sold to open for \$1.68 to \$1.67

**Tapestry (TPR)** with 5,000 November \$17.50 calls sold to open for \$0.75

**Spirit Airlines (SAVE)** with 4,000 October \$17.50 puts sold to open down to \$2

**Discover (DFS)** with 1,500 April \$45 puts sold to open for \$4.60 in a stock replacement

**Chewy (CHWY)** the September 11<sup>th</sup> (W) \$61/\$70 call spread bought 3,000X for earnings next week

## Earnings Grid

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Y/Y Change	Notes
SCSC	ScanSource	\$0.19	\$0.21	\$636.50	\$635.80	-33.80%	
ZM	Zoom Video	\$0.92	\$0.45	\$663.50	\$500.37	354.50%	

## Disclosures

### Not Investment Advice or Recommendation

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