

## TOP STORIES

- Report: BOJ to Consider More Easing Options Next Week Including Taking Rates Further into Negative Territory
- China Removes Limits for Overseas Investment in Stocks, Bonds
- China's Liu: Hope Talks Yield Progress
- U.S. Small-Business Optimism Declines to Lowest in Five Months
- WeWork Investor Softbank Wants Company to Shelve IPO Plans
- Apple Set to Unveil Latest iPhone

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2972.5 (-5.75)</b>	<b>-6.28</b>
<b>Nasdaq</b>	<b>7808.75 (-22)</b>	<b>-25.65</b>
<b>Dow</b>	<b>26798 (-42)</b>	<b>-44.51</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7219.39</b>	<b>-0.23%</b>
<b>DAX</b>	<b>12257.17</b>	<b>0.25%</b>
<b>Nikkei</b>	<b>21392.1</b>	<b>0.35%</b>
<b>Hang Seng</b>	<b>26683.68</b>	<b>0.01%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>10:00</b>	<b>JOLTs</b>	

## FOREX

<b>EUR/USD</b>	<b>1.1036 (-0.09%)</b>
<b>USD/JPY</b>	<b>107.42 (0.18%)</b>
<b>USD/CAD</b>	<b>1.3179 (0.10%)</b>
<b>GBP/USD</b>	<b>1.2346 (0.01%)</b>
<b>USD</b>	<b>98.42 (0.18%)</b>

## COMMODITY

<b>Oil</b>	<b>58.2 (0.61%)</b>
<b>Natural Gas</b>	<b>2.621 (1.39%)</b>
<b>Gold</b>	<b>1502.9 (-0.54%)</b>
<b>Copper</b>	<b>2.6090 (-0.70%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>15.21 (1.40%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.38 (3.00%)</b>
<b>Oil</b>	<b>OVX</b>	<b>33.28 (0.21%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>14.76 (0.07%)</b>

## MARKET OUTLOOK

Futures are indicating a modestly lower open for the morning with global markets mixed. Some trade headlines out this morning, although nothing significant. China's Liu He reiterating his hope that the US and China can find a solution to the trade dispute. The Chinese delegate said he hopes talks yield progress. China also removed limits for overseas investments in stocks and bond, the latest move to open its markets a bit more. Futures moved a little this morning as well with a report that BOJ policymakers are open to debating additional stimulus next week at their meeting. The Reuters report indicated that taking rates further negative is an option. In the UK, PM Johnson succeeded in suspending parliament until 10/14. He also promised to make a new deal with the EU by their 10/17 summit in Brussels.

Asian markets closed modestly higher overnight with the Nikkei leading to 6-week highs. Higher bond yields helped lift financials. **MUFJ** was up 4% while **Mizuho** up 3.5%. Automakers rebounded with the yen weakening, **Honda** up 2.4% and **Subaru** up 2.3%. Nissan rose 3.7% after their CEO resigned. Machinery names also leading higher today with **Komatsu** up 3% and **Fanuc** up 3.2%. China CPI rose to 2.8% in August, better than the 2.6% forecast, while PPI was better than feared at -0.8%. Japanese machine tool orders fell 37.1% in the latest reading.

In Europe, stocks are rebounding off of the morning lows and now green on the day. Healthcare and utilities among the biggest losers while financials led. **RBS**, **UBS**, and **Barclays** all up around 2%. **JD Sports** leading the Stoxx 600 up 4.85% after a strong FY guide. UK unemployment improved to 3.8% in July vs 3.9% forecast. Average earnings rose to 4% vs 3.7% expected. Italian industrial production fell 0.7%.

**Mercado Libre (MELI)** in focus today with shares upgraded to Buy at BTIG, \$720 PT. The firm expects MELI to enter large new financial markets such as auto loans, mortgages and insurance over the next 12-18 months, and QR adoption in Brazil is occurring faster than anticipated.

## S&P TECHNICALS

**Levels:** Support 2,825/2,800; Resistance 3,000/3,060



4420 Advancing	Declining 2918
57.3%	37.9%
186 New High	New Low 88
67.9%	32.1%
4035 Above SMA50	Below 3585
53.0%	47.0%
4145 Above SMA200	Below 3475
54.4%	45.6%

**KEY EVENTS TODAY****Earnings AMC:** PLAY, FARM, GME, RH, ZS**Analyst Days:** TWNK, WK, VSTO, SQM, FTS, DOV**Conferences:** Morgan Stanley Healthcare, HCW Global Investment Conference, Credit Suisse Materials, Barclays Global Financials, Deutsche Bank Tech**Tomorrow...** PPI-FD at 8:30 AM, Atlanta Fed at 10:00, EIA Petroleum at 10:30**ANALYST ACTION/COMMENTS****Acadia (ACAD)** upgraded to Buy at Canaccord**Heartland Express (HTLD)** upgraded to Buy at Keybank**Marten Transport (MRTN)** upgraded to Buy at Keybank**PDC Energy (PDCE)** upgraded to Buy at BAML**Schlumberger (SLB)** upgraded to Overweight at MSCO**Mercado Libre (MELI)** upgraded to Buy at BTIG**Vale (VALE)** upgraded to Outperform at Macquarie**Orange (ORAN)** upgraded to Buy at New Street**Ionis (IONS)** upgraded to Outperform at Bernstein**UBS** upgraded to Buy at Kepler Cheuvreux**Diageo (DEO)** upgraded to Neutral at Bernstein**Sonic Auto (SAH)** upgraded to Neutral at JP Morgan**William Lyon (WLH)** upgraded to Neutral at JMP**Altria (MO)** downgraded to Neutral at Piper**Fox (FOXA)** downgraded to Sell at Atlantic**Wendy's (WEN)** downgraded to Neutral at BTIG**Whiting (WLL)** downgraded to Neutral at BAML**Stars (TSG)** downgraded to Sell at Barclays**Jagged Peak (JAG)** downgraded to Neutral at BAML**Globant (GLOB)** downgraded to Reduce at HSBC**Dollar General (DG)** downgraded to Neutral at Bernstein**Merit Medical (MMSI)** downgraded to Neutral at RayJay**Equinix (EQIX)** initiated Overweight at MUFJ**Splunk (SPLK)** initiated Buy at Rosenblatt**MEDIA HIGHLIGHTS****SoftBank** recommends **WeWork** shelve IPO after cool investor reception - FTHouse panel to examine DOJ car maker antitrust investigation (**F, HMC**) - Reuters**Uber (UBER), Lyft (LYFT)** set to lose battle against CA employment measure - WSJ**Alphabet (GOOGL)** nearing settlement of class action suit on data breach - Bloomberg**Repsol** in advanced discussions to buy **Exxon (XOM)** Gulf of Mexico assets for \$1B - Reuters**Daimler** 'challenged' in meeting emissions targets - Reuters**Bank of America's (BAC)** move to turn around investment bank gaining momentum - Reuters**Fannie (FNMA), Freddie (FMCC)** Investors Hopeful as Senate Eyes Treasury Plan – Bloomberg**Hutchison** Weighs Indonesia Mobile Combination With **Axiata** – Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Hawaiian Air (HA)** reports August traffic up 2.8%Moody's cuts **Ford (F)** rating to junk, says restructuring from 'weak position'**Zoetis (ZTS)** presents 'positive' data on triple combination parasiticide product**Shopify (SHOP)** to acquire 6 River Systems in \$450M deal**Mosaic (MOS)** plans to initiate stock repurchases, idle phosphates operations**Sanderson Farms (SAFM)** receives DOJ subpoena**PG&E (PCG)** files joint Chapter 11 plan of reorganization**Bristol-Myers (BMY)** announces pooled 5-year survival results for Opdivo**TSMC (TSM)** reports August revenue up 16.5%**Fortis (FTS)** announces \$18.3B investment plan**Vista Outdoors (VSTO)** lowers FY Outlook**Deutsche Bank (DB)** sees FY Above, facing headwinds from interest rates**Wendy's (WEN)** Cuts Forecast as It Plots Nationwide Breakfast Launch

**PRE-MARKET MOVERS**

**Moving Higher:** BCS 4.5%, UBS 3%

**Moving Lower:** WEN -9%, F -3.7%, RACE -3.3%, CTRP -3.2%, AZN -2.8%, DEO -1.8%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** HOME, SIG, SRPT, DTE, AERI, PBF, RUN

**Selling:** GLUU, LRCX, BDX, TYL, LLY, MDC, MORN, SMG, TSS, TWTR, WDC, FN

**POTENTIAL SYMPATHY TRADES**

**MSM, GWW, AIT** – on HDS lower outlook

**MUSA** – on CASY earnings

**OPTION HIGHLIGHTS (Prior Day)**

**MSC Industrial (MSM)** with an aggressive buyer of 2,700 December \$75 puts today from \$6.80 to \$7.80 to open, more than 30X average volume and by far the largest position in open interest. Shares have been in a weak trend since February and rebounding over the last two weeks back into YTD VPOC and the falling 50-day MA. A move lower targets \$65 and recent lows and then a measured move to \$55 and the 2015/2016 lows. The \$3.86B company trades 12.89X earnings, 1.15X sales, and 35X FCF with a 4.3% yield. MSM expects 3.5% EPS growth next year with revenue growth slowing from 5% to 3.2%. MSM is coming off a weak quarter with continued contraction in margins and organic growth slowing. Management called out weakness in July in a number of end-markets including automotive, oil and gas, and agriculture, especially in the Midwest. They also noted that recent tariff escalations came not only larger than expected but as more of a surprise than prior, so could see a multi-quarter impact on the customer side while MSM has also indicated they're pushing back price hikes which could continue to impact profitability. Analysts have an average target for shares of \$79 with 2 buy ratings and 8 hold. Northcoast downgrading to Neutral on 7-12 with a \$74 PT. The firm sees indications of higher competition in a deteriorating industrial environment weighing on shares. William Blair downgrading earlier this Summer citing the intermediate-term impact of slowing global trade volumes, durable goods orders, inventory growth, and a stronger US dollar. Short interest is 4.3% and up from around 2.8% in June. Hedge Fund ownership rose 5.67% in Q2. Vulcan Value is a top holder.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:** CTRP -5%, WEN -4.8%, F -3.3%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.668	Elevated – Cautious
CBOE Index Put/Call Ratio	1.197	Rising – Cautious
CBOE Skew Index	118.87	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	35	Fear
NYMO	46.16	Elevated
NYSE New Highs – New Lows	59	Neutral
McClellan Summation	456.45	Above 8-EMA
Univ. of Michigan Consumer Sentiment	89.8 (August Final)	-6.7% Y/Y

**SMART MONEY (13g/13d Filings)**

**IPO MONITOR**

**Cloudflare (NET)** issuing 35M shares at \$10-\$12; Cloud platform that delivers range of network services

**Smile Direct (SDC)** issuing 58.5M shares at \$19-\$22; Direct-to-consumer medtech platform for oral care

Other biotech IPOs including **STSA, SWTX, TXG**

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**TPX:**



**Tempur Sealy (TPX)** shares are forming a bullish wedge back to the 50-day MA and cloud support with a breakout over \$77.50 targeting \$82.50 and then over \$90. MACD is back around zero and curling higher while RSI has reset back around 50, optimal spot to run.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Albany International (AIN)

**Price:** \$82

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>21X</b>	<b>2.6X</b>	<b>4.1X</b>	<b>12.8X</b>	<b>22.1X</b>
<b>Industry Avg.</b>	<b>22.6X</b>	<b>1.2X</b>	<b>2.1X</b>	<b>16.5X</b>	<b>44.8X</b>

**Analysis:** AIN is a \$2.66B textile and materials company which focuses on machine clothing, specifically felts for use in paper manufacturing processing, and composites used in the aerospace industry. Shares trade cheap at 21X earnings and 2.6X sales with mid-teens EPS growth and sales growth of 7-8%. The paper machine business has been a strong FCF generator for the company while aerospace is a small, but emerging, business unit.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**VEEV:**



**Veeva Systems (VEEV)** shares are forming a series of lower highs since July and back near key support at \$155. A breakdown targets \$140 and a gap fill from the June earnings. Cloud support is just below last week's range while a volume gap sits under to the measured target as well.

## PAIR TRADE OF THE WEEK

**Industry:** Pork / Swine Flu

**Long/Short:** Long **Tyson (TSN)**, Short **Hormel (HRL)**

**Analysis:** TSN is a \$31B producer of meat products which trades 12.5X earnings and 0.75X sales. They expect a sales boost from ASF as customers turn to chicken/beef while prices for pork will rise. HRL is a \$22.72B company which trades 25X earnings and 2.4X sales. ASF is expected to lead to higher input costs for their key products like SPAM.

## SMALL CAP TRADE OF THE WEEK

**Alamo Group (ALG)** is a \$1.34B farm and machinery company which focuses on hydraulically-powered and tractor mounted equipment like mowers and snow removal equipment. They operate in industrial and agricultural segments and use a network of more than 6,000 dealers. Shares trade 15.28X earnings, 1.27X sales, and 27.8X cash with a small yield.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Rent-a-Center (RCII)	Grand Canyon (LOPE)	ArQule (ARQL)
Voya Financial (VOYA)	Tailored Brands (TLRD)	Aimmune (AIMT)
Nice (NICE)	Kodak (KODK)	Hecla (HL)
Vivint Solar (VSLR)	Hanes (HBI)	Alteryx (AYX)
Sabre (SABR)	Pager Duty (PD)	Zillow (Z)
Altice (ATUS)	Aimmune (AIMT)	Paysign (PAYS)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
National Vision (EYE)	Cohu (COHU)	Neurotrope (NTRP)
Unisys (UIS)	Immersion (IMMR)	Viacom (VIAB)
Beazer (BZH)	Everi (EVRI)	Mallinckrodt (MNK)
Trivago (TRVG)	MSC Industrial (MSM)	USA Tech (USAT)
Infinera (INFN)	Skyline (SKY)	JC Penney (JCP)
ADT	Steel Dynamics (STLD)	Medicine Co (MDCO)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Voya Financial (VOYA)	Anaplan (PLAN)	Xeris (XERS)
Wisdom Tree (WETF)	Adient (ADNT)	Adverum (ADVM)
Cliff's (CLF)	ArQule (ARQL)	PG&E (PCG)
Alcoa (AA)	Steel Dynamics (TLD)	Atara Bio (ATRA)
Overstock (OSTK)	L Brands (LB)	Gossamer (GOSS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Snap (SNAP)	CVS Health (CVS)	Hanes (HBI)
Range Resources (RRC)	AT&T (T)	Pager Duty (PD)
Wells Fargo (WFC)	Tilray (TLRY)	Aimmune (AIMT)
Citi (C)	Canopy Growth (CGC)	Sabre (SABR)
Home Depot (HD)	Twilio (TWLO)	Altice (ATUS)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Twitter (TWTR)	Activision (ATVI)	JWN, October \$30/\$27.50 put spread 3,725X7,450
Boeing (BA)	NetApp (NTAP)	AMC, January \$12/\$13.45 call spreads, over 3000X
Biogen (BIIB)	Twilio (TWLO)	BIIB, November \$250/\$270 OTM call spread, 1500X
Carvana (CVNA)	Zoom Video (ZM)	ARQL, 3,350 January \$10/\$15 call spreads
United (UAL)	Stitch Fix (SFIX)	DHI, 1,000 February / June \$45 put calendar spreads

## Stock Specific News

**Aramco** CEO: IPO will happen soon, domestic listing is primary one – Reuters

**Baidu (BIDU)** to invest \$202M in Chinese AI company Neusoft – Reuters

**Amazon (AMZN)** launches Prime service in challenging Brazil market (**MELI**) – Reuters

Online sports betting sites score as NFL season gets under way

**Ctrip (CTRP)** Changing Name to Trip.com Group to Emphasize International Business – Skift

**Electronic Arts (EA)** launches cloud gaming technical trial – Venture Beat

Smart speaker shipments grow slowly in 2019 – Digitimes

**Fidelity National (FNF), Stewart (STC)** terminate planned merger

**Mallinckrodt (MNK)** to sell BioVectra to H.I.G. Capital for \$250M

**Baxter (BAX)** acquires Cheetah Medical for \$190M

**Intra-Cellular (ITCI)** says FDA has no plans to schedule Advisory Committee meeting

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AGX	Argan	\$0.07	\$0.03	\$63.10	\$67.65	-53.80%	
CASY	Casey's General	\$2.31	\$2.03	\$2,626.60	\$2,594.65	1.50%	
CTRP	Ctrip	\$0.33	\$0.30	\$1,267.00	\$1,248.29	13.90%	
PHR	Phreesia	-\$10.42	-\$0.13	\$30.80	\$28.96	24.20%	FY Above
HDS	HD Supply	\$1.08	\$1.08	\$1,624.00	\$1,630.76	1.50%	FY Below

**CASY – Beat on EPS and Revenues** - "Quarterly results were positively impacted by our fuel price optimization initiative, store growth, and a continued focus on controlling operating expenses," said Darren Rebelez, President and Chief Executive Officer. "As we look ahead, we remain optimistic our long-term strategy, including the value creation plan initiatives, will generate additional shareholder value." **Fuel** - For the quarter, average fuel margin was 24.4 cents per gallon, while same-store gallons sold were down 2.0%. "The combination of our price optimization efforts along with a favorable fuel margin environment allowed us to grow gross profit dollars by over 22% for the quarter," said Rebelez. "We are excited about the advancements made with the fuel price optimization tool. We have gained significant agility to capture additional fuel margin while maintaining a competitive pricing structure." **Grocery and Other Merchandise** - For the quarter, same-store sales were up 3.2% with average margin of 31.3%. **Prepared Food and Fountain** - Same-store sales for the quarter were up 1.6% with average margin of 62.2%. "As we continue our digital transformation journey, we are highly focused on the pricing and promotional capabilities we are adding," said Rebelez. "We believe the previously launched e-

commerce website and new mobile app, when combined with our future loyalty program, will significantly enhance the overall guest experience."

### Extras

**Visteon (VC)** IV rose into the close with 1300 September \$80 calls actively bought

**Apple (AAPL)** buyer of 3,300 November \$215/\$205 put spreads for \$3

**Kellogg (K)** shares nearing a breakout move above \$64.50, a pending squeeze higher, with a measured move out to \$70 and bullish flow accumulating the last two weeks. MACD is nearing a bullish crossover as well with RSI ready to run. Last week, the March ITM \$55 calls were active with buyers while the September \$62.50 calls with over 1900 in OI from buys back on 8-15 while the \$65 calls with 2,750X. The \$21.82B company trades 15.9X earnings, 1.58X sales, and 64X cash with a 3.55% yield. K sees EPS growth accelerating to 4.69% and 4.85% the next two years with revenue growth of 1.7%. The company is coming off a strong quarter with growth across all regions including an 8.5% boost in Asia. K has been undergoing a multi-year plan to boost margins and organic growth by reshaping the portfolio, refreshing key brands like Pringles, Cheez-It, and Pop Tarts, while expanding new products like their On-the-Go features. Kellogg has drawn attention to their alternatives/veggie business Morningstar recently which has made frozen patties for years catering to vegetarians and vegans. They are rolling out a new line of alternatives called "Incogmeato" which will compete with Impossible and Beyond Meat. Analysts have an average target for shares of \$64 with 6 buy ratings, 11 hold, and 2 sell. Goldman Sachs upgrading to Buy last week with a \$72 PT. The firm thinks K is the most compelling value left in snacks and has a visible path to accelerating its organic sales growth and growing its margins. The recent changes at the company are helping it sustain its faster growth rate, including divesting its cookie, fruit snack, pie crust and ice cream cone business as well as benefiting from rising enthusiasm from recent entrants in the "meat alternative" space. Short interest is 5.3%. Hedge Fund ownership fell 3.5% in Q2. Bridgewater and Pinebridge Investments notable holders. In November 2018, the CFO bought \$508K shares around \$62 while COB/CEO Steven Cahillane bought \$1M in stock at \$61.63.

### Insider Focus

**Cigna (CI)** strong yesterday and sizable open market buy from CEO David Cordani of 32,509 shares at \$155.17, a \$5M investment. Shares are down 19% in 2019, mostly earlier in the year, and basing in a multi-month range above \$147.50 since mid-April. CI is showing a positive RSI divergence into the recent low on the weekly with a longer-term measured target out to \$210+. The \$58.13B company trades 8.2X earnings, 0.57X sales, and 13.92X FCF with a small yield. CI sees 11.45% and then 10.4% EPS growth with sales up mid-single digits. CI raised their outlook in August with strength in specialty pharma, acceleration in Medicare Advantage customer growth, and geographic market expansion. On 8-21, Reuters reported that the company was exploring a sale of their group disability unit for up to \$6B. The Cigna unit offers disability insurance as well as life and accidental death and dismemberment coverage to groups of company employees. Citi out noting that they think it would be unlikely but positive for the company giving them financial flexibility for debt paydown or buybacks while also shortening the wait time for other M&A opportunities. Analysts have an average target for shares of \$216 with 14 buy ratings and 2 hold. Stephens positive in July after the HHS rebate rule was withdrawn. Goldman has shares at Buy, \$200 PT, bullish on their long-term prospects as the company's first full quarter of ownership of

Express Scripts "exacerbated uncertainty" around underlying pharmacy benefit manager fundamentals. Short interest is 1.6%. Hedge Fund ownership fell 15.5% in Q2. Glenview capital with 4.95M shares, their top holding, while Lakewood Capital, Farallon Capital, and Leon Cooperman notable holders. Cigna will be at the Morgan Stanley Healthcare conference today.