

TOP STORIES

- Trump says Fed Should Cut Interest Rates to Zero 'or Less' to Refinance Debt
- Tariffs on Some US Goods Halted by China
- Oil Gains as Falling U.S. Crude Stockpiles Offset Bolton Ouster
- Weekly Mortgage Applications Rise as Buyer's Market Takes Hold
- API Inventories Show Big Drop in Supplies

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2978.25 (-0.25)	-1.49
Nasdaq	7810 (-5)	-6.74
Dow	26917 (23)	1.57

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7336.6	0.94%
DAX	12356.7	0.72%
Nikkei	21597.76	0.96%
Hang Seng	27159.06	1.78%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	PPI-FD	
10:00	Atlanta Fed	
10:30	EIA Petroleum	

FOREX

EUR/USD	1.1007 (-0.33%)
USD/JPY	107.68 (0.14%)
USD/CAD	1.3143 (-0.05%)
GBP/USD	1.2359 (0.11%)
USD	98.09 (-0.23%)

COMMODITY

Oil	57.96 (0.98%)
Natural Gas	2.585 (0.19%)
Gold	1501.2 (0.13%)
Copper	2.622 (-0.23%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.63 (2.36%)
Nasdaq	VXN	20.01 (3.04%)
Oil	OVX	33.75 (1.41%)
Gold	GVZ	14.60 (-1.02%)

MARKET OUTLOOK

Futures are indicating a mixed open for the morning despite strength in global markets. China is easing up on tariffs on US goods this morning announcing a temporary halt on some duties put in place last year. The move doesn't impact agricultural imports like corn and soybeans which remain a focus in their retaliation strategy. The exemption lasts until Sept. 2020, just before the US election. The President resumed his attacks on the Fed today calling for interest rates to go to zero 'or less.' POTUS sees an opportunity to refinance debt, a new angle in his repeated attacks on Powell and the FOMC. Oil is strong overnight after API inventories showed a big drop. 10-year yields are giving back some early gains to 1.712% from an overnight high of 1.74%.

Asian markets were strong overnight with China outperforming. The Nikkei also rose for the seventh straight session closing up nearly 1% buoyed by the falling yen. Breadth was strong. Rising yields are also helping financials with mega-bank **MUFJ** up 4.4%. Apple suppliers showing some strength after their event with **Murata** up 2.25% and **Alps Alpine** up 3.5%. There was no notable data this morning in the region.

Europe is following Asia's lead this morning with markets mostly green. The focus in the region remains on the ECB tomorrow which is expected to announce further stimulus measures. It was a quiet morning for new data. Spanish industrial production slowed in July to 0.8% vs 1.5%. Miners, financials, and autos led the Stoxx 600 again today. Austrian engineering company **Andritz** higher by 5% after an upgrade. Zara owner **Inditex** fell 2.5% after weak earnings. **Hermes** posted strong revenues and profits for the 1H. The **London Stock Exchange** up 4.9% after a takeover offer from the Hong Kong Exchanges. The deal would be contingent on them dropping their deal for Refinitiv.

Alcoa (AA) in focus today after Credit Suisse upgraded shares to Outperform, \$27 PT. The firm expects alumina prices to recover on significant capacity cuts in China, an end to inventory destocking, and the Alpart shutdown. Further, Alcoa's restructuring efforts should also drive "material tailwinds" to its mid-cycle free cash flow starting early 2020

S&P TECHNICALS

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



4294 Advancing	Declining 3027
55.7%	39.3%
121 New High	New Low 52
69.9%	30.1%

KEY EVENTS TODAY**Earnings AMC:** ACB, OXM, TLRD**Conferences:** Morgan Stanley Healthcare, Credit Suisse Materials, Deutsche Bank Tech, Barclays Global FinancialsTomorrow... CPI at 8:30 AM, Jobless Claims at 8:30, EIA Nat Gas at 10:30, Treasury Budget at 2:00. **Earnings BMO:** DLTH, KR, MCFT**ANALYST ACTION/COMMENTS****Callaway Golf (ELY)** upgraded to Outperform at Raymond James, \$21 PT**Bright Horizons (BFAM)** upgraded to Outperform at BMO**Newmont (NEM)** upgraded to Outperform at BMO**Micron (MU)** upgraded to Buy at Longbow**Bicycle Therapeutics (BCYC)** upgraded to Buy at Goldman**Alliance Data (ADS)** upgraded to Buy at Goldman**BP** upgraded to Buy at Santander**Line Corp (LN)** upgraded to Neutral at CSFB**Ansys (ANSS)** upgraded to Neutral at JP Morgan**Alcoa (AA)** upgraded to Outperform at Credit Suisse**Dave & Busters (PLAY)** cut to Neutral at Raymond James**Fortis (FTS)** downgraded to Neutral at BMO**HD Supply (HDS)** downgraded to Neutral at Baird**Costco (COST)** downgraded to Neutral at Oppenheimer**Cemex (CX)** downgraded to Hold at HSBC**Rockwell Auto. (ROK)** cut to Hold at Gordon Haskett**JB Hunt (JBHT)** downgraded to Hold at Loop Capital**Altair (ALTR)** downgraded to Sell at JP Morgan**ADP** downgraded to Neutral at BAMLBernstein starts **HLT** at Buy, **MAR** at Neutral**Ceridian (CDAY)** initiated Overweight at CantorEvercore starting **CSCO**, **CIEN** at Outperform; **ANET**, **JNPR**, **COMM**, **FFIV** at Neutral**Aspen Tech (AZPN)** initiated Sell at JP Morgan**MEDIA HIGHLIGHTS****Disney (DIS)** plans to sell video game unit FoxNext - Bloomberg**Innophos (IPHS)** exploring potential sale - Bloomberg**Peloton (PTON)** sets IPO range at \$26-\$29 – Bloomberg**Schwab (SCHW)** to cut 600 positions or 3% of staff – WSJMoney-laundering watchdog 'closely' monitoring **Facebook's (FB)** Libra – Reuters

U.S. corporate bond, IPO markets heat up as recession fears persist – Reuters

Lamborghini CEO Doesn't See Trade War Effects, Urges Prudence – Bloomberg**Siemens Gas & Power** CEO Sees Deal Opportunities in Power Plants – Bloomberg**UFC** looking to China in hopes to double profits – NY Post**Temasek, KKR** competing to buy stake in Philippine hospitals group – Reuters**JD.com (JD)** appoints PE veteran as strategic investment head – Reuters**Anbang** Sells Its U.S. Luxury Hotels to South Korea's **Mirae** for \$5.8B – Skift**Sonos (SONO)** shares have room to run – WSJ**PG&E (PCG)** deal with SF won't solve much – WSJ**STOCK SPECIFIC NEWS OF NOTE****T2 Biosystems (TTOO)** awarded breakthrough technology contract with Premier**Lexicon (LXRX)**, **Sanofi (SNY)** Zynquista alliance terminated, receives \$260M paymentVintage Capital keeps 11.6% stake in **Red Robin (RRGB)**, says it misrepresents events**Allegiant Travel (ALGT)** August system traffic up 4.0%**Hong Kong Exchanges** bids \$39B to combine with **LSE**; contingent on ditching **Refinitiv** deal (**TRI**)**United Therapeutics (UTHR)** announces FDA acceptance of Trevynt NDA**Baker Hughes (BHGE)** to repurchase \$250M of stock from **General Electric (GE)****Altice USA (ATUS)** buys back \$50M in stock from BC Partners, CPPIB

PRE-MARKET MOVERS

Moving Higher: FRAN 16.8%, STM 1.8%

Moving Lower: BUD -1.5%

INSIDER TRADING (Form 4 Filings)

Buying: CTRN, PGNX, AERI, NKTR, JCP, GLYC, COTY

Selling: RETA, K, FFIV, AVT, KEX, BDX, HRL, CDNS, RH, EW, FB, NMIH, NEE

POTENTIAL SYMPATHY TRADES

CME, ICE, NDAQ – on HK/LSE news; **TRI** on ditching the Refinitiv deal

CRWD – lower on ZS outlook

OPTION HIGHLIGHTS (Prior Day)

Hanesbrands (HBI) buyers of more than 7,850 January \$16 puts up to \$2.20 this morning, same spot where 7,000 were bought yesterday. HBI is also seeing some smaller January call sales today and has 15,000 January \$13 puts in OI from buyers recently. The October \$16 and \$15 puts bought with 1,500 in OI from buyers as well. Shares are rallying this week as we have seen some of the year’s weakest names outperform but running into the declining 50-MA and stalling out today. HBI has room back to \$13/\$12 and the December lows with a breakdown targeting single-digits. The \$5.53B company trades 8.5X earnings, 0.79X sales, and 16.75X FCF with a 4% yield. HBI is seeing EPS growth slow, expected to be flat in FY20 after 15% growth this year, while sales seen falling 1.5%. Margins have been flat over the last two-years and potential for deceleration as commodity pressure, labor inflation and investments in product and international weigh. HBI has seen strong demand for their Champion brand with ex-mass sales up 50% in Q2 but down from 75% in Q1. Analysts have an average target for shares of \$17.5 with 2 buy ratings and 7 hold. BAML with a \$17 PT and Neutral rating for shares. On 8-1, the company noting that much of the 2H guide assumes margin expansion where they have been challenged due to deleverage on lower innerwear sales. They also think its reasonable to assume Champion sales will slow as the business matures, one of the bright spots recently for the company. Short interest is 12.4%, rising this most recent reporting period from 9.2%. Hedge Fund ownership fell 11.25% in Q2. Lyrical Asset Management and Diamond Hill two concentrated holders. HBI has seen some insider buying into the recent lows in August with the CEO adding \$147K in stock at \$14.73.

AFTER HOURS MOVERS

Gainers:

Losers: ZS -20%, PLAY -14.2%, RH -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
Stock	21X	2.6X	4.1X	12.8X	22.1X
Industry Avg.	22.6X	1.2X	2.1X	16.5X	44.8X

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>
National Vision (EYE)	Lending Club (LC)	Revance (RVNC)
Constellium (CSTM)	Heico (HEI)	Frontier (FTR)
Conduent (CNDT)	Tower Semi (TSEM)	Invacare (IVC)
LKQ (LKQ)	MarketAxess (MKTX)	JC Penney (JCP)
Callaway (ELY)	Tanger Factory (SKT)	Tailored Brands (TLRD)
Tronox (TROX)	Fair Isaac (FICO)	Nice (NICE)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Puxin (NEW)	EZCORP (EZPW)	Aveo Pharma (AVEO)
Wyndham (WH)	Univar (UNVR)	Mirati (MRTX)
Callaway (ELY)	Lending Club (LC)	Hecla (HL)
First Horizon (FHN)	Allergan (AGN)	Ctrip.com (CTRP)
Constellium (CSTM)	Everi (EVRI)	Caesy's General (CASY)
Extended Stay (STAY)	American Axle (AXL)	Aimmune (AIMT)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Farfetch (FTCH)	Lending Club (LC)	Xeris (XERS)
Antero (AR)	CBS Corp (CBS)	Adverum (ADVM)
Mallinckrodt (MNK)	Avaya (AVYA)	PG&E (PCG)
Tapestry (TPR)	AK Steel (AKS)	Atara Bio (ATRA)
Snap (SNAP)	Tower Semi (TSEM)	Gossamer (GOSS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Snap (SNAP)	Wells Fargo (WFC)	MarketAxess (MKTX)
Silver (SLV)	Oracle (ORCL)	Tanger Factory (SKT)
Kroger (KR)	Qualcomm (QCOM)	LKQ (LKQ)
Alibaba (BABA)	Salesforce (CRM)	Callaway (ELY)
Mallinckrodt (MNK)	Roku (ROKU)	Tronox (TROX)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Ultra (ULTA)	US Steel (X)	AMC, January \$12/\$13.45 call spreads trading 5000X
American Eagle (AEO)	Net App (NTAP)	CPE, January 2021 \$5/\$10 call spread bought 1200X3600
Kroger (KR)	Tanger Factory (SKT)	V, 2,200 November \$175/\$160 put spreads
Dow (DOW)	Apple (AAPL)	BMJ, 3,000 June 2020 \$47/\$40 bull risk reversals
DXC Tech (DXC)	Levi's (LEVI)	SWK, 750 Sep. 27th (W) \$143/\$133 put spreads

Stock Specific News

Cloudflare (NET) boosts price range of pending IPO to \$12.00-14.00

Dana (DAN) warns on Q3 sales on weaker off-highway end market demand

Deere (DE) rolling 3-month retail sales for August show 2WD down 1%, in line

Extras

MDC Holding (MDC) unusual late day buy of 2500 December \$40 calls \$1.55 at the PHLX, pulling back a bit today, the \$2.45B residential builder coming off a very impressive quarter

CheckPoint (CHKP) rallying into close with 500 April \$135 OTM calls bought \$1.10, working out of small base this week as higher growth/valuation names in the space are sold

Mattel (MAT) with 3500 January \$12 calls bought \$0.75 offer

Western Union (WU) buyer 2000 September \$23 pus \$0.35 offer to open

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
PLAY	Dave & Busters	\$0.90	\$0.85	\$344.60	\$344.29	8.00%	FY In Line
FARM	Farmer Brothers Co.	-\$0.52	-\$0.19	\$142.10	\$144.29	-4.80%	
GME	GameStop	-\$0.32	-\$0.22	\$1,285.70	\$1,338.27	-14.30%	FY Below
RH	RH	\$3.20	\$2.70	\$706.50	\$697.73	9.90%	FY Above
ZS	ZScaler	\$0.07	\$0.02	\$86.10	\$82.83	53.20%	
LOVE	Lovesac	-\$0.31	-\$0.51	\$48.1	\$47.78	44.9%	

Biotech Event Focus

Adverum (ADVM) will present key data on Thursday morning before the open for the first cohort of their early-stage trial in wet age-related macular degeneration (wet-AMD). The OPTIC trial, ADVM-022, utilizes a gene therapy approach to improve vision outcomes in patients with the progressive disease. Age-related macular degeneration is common in the US with about 200,000 cases per year and slowly causes loss of vision as retinal cells die. There are two types of AMD. Dry AMD is where the center of the retina itself deteriorates while wetAMD is where blood vessels grow under the retina and leak fluid. The latter impacts 10% of patients with AMD and is the leading cause of vision loss in the over 60 population. The expected market for wet AMD is 3M globally (1.2M in the US) and around \$10B in global sales. The current standard of care is intravitreal injections or a shot directly into the eye. The most popular injection is Eylea which is an FDA approved anti-vascular endothelial growth treatment produced

by Regeneron (REGN). The drug has been studied in over 3,000 people. Eylea sales jumped 17% last quarter. Novartis (NVS) is also developing a wet AMD treatment called brodalumab. Where ADVM hopes their treatment differs is in both efficacy and ease of use which will drive uptake. While Eylea is noted as an effective treatment, it requires a shot every 4-8 weeks which can lead to problems with compliance. In clinical trials, patient outcomes have far outperformed those in the real world where outcomes often fail. In the earliest NHP trials, ADVM-022 has shown efficacy comparable to the current standard of care but given that the biggest difference patients see between the Eylea and better options is simply the number of injections, ADVM will need to show the need for follow-up injections was limited. ADVM had a different gene therapy trial in 2015 in wAMD ended after Phase 2 data showed an increase in retinal thickness despite reaching the primary endpoint. The company has already started enrolling a second cohort for the current trial at a lower dosage. They have \$177.6M in cash on hand. Analysts have an average target for shares of \$9.50 with 2 buy ratings and 4 hold. Piper has been the most vocal bull on the name and confident in the early results with a \$14 PT. They think the results could provide proof of concept for the first intravitreal approach for the eye, "which would be monumental." In May, the firm cited a robust preliminary anatomical response and the potential to provide sustained efficacy following a single intravitreal injection as highlights for ADVM's potential treatment. Sun Trust with a \$12 PT and Hold rating for shares thinks the hurdle for safety in wAMD gene therapy is extremely high and remain an overhang. Short interest is 14.4% and rising from around 3.8% in early June. This is the highest level since ADVM debuted in 2014. ADVM has seen a lot of bullish flow including buyers in the October \$15 calls, September \$15 calls, and March \$20 calls however given short-interest trends, may very likely be a hedge on the event risk. On 9-6, a buyer opened \$1M in September \$12.50 puts around \$3.25. Skew is very bearish with the 25-delta p/c spread at 20.2% vs 4.4% average. On the chart, shares have rallied since late February and up almost 200% to around \$11.60 and 30% off of the highs in July. Major support from a volume standpoint is back around \$6.