

TOP STORIES

- Report: China Will Exclude US Soybeans, Pork Purchases from Additional Tariffs
- Trump Back-Tracks: Would Consider an Interim Deal with China
- Trump Working on 'Substantial' Tax Cut as Deficit Tops \$1T

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3023.25 (9.5)	10.93
Nasdaq	7971.75 (29.25)	26.41
Dow	27290 (106)	113.55

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7341.16	-0.05%
DAX	12470.33	0.48%
Nikkei	21988.29	1.05%
Hang Seng	Closed - Holiday	

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Retail Sales	0.2%
8:30	Import/Export Prices	-0.5%
10:00	Business Inventories	
10:00	Consumer Sentiment	91.0

FOREX

EUR/USD	1.1095 (0.31%)
USD/JPY	107.99 (-0.09%)
USD/CAD	1.3227 (0.14%)
GBP/USD	1.2453 (0.98%)
USD	97.66 (-0.23%)

COMMODITY

Oil	55.07 (-0.04%)
Natural Gas	2.58 (0.23%)
Gold	1513.2 (0.38%)
Copper	2.668 (1.04%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.96 (-4.45%)
Nasdaq	VXN	17.56 (-5.65%)
Oil	OVX	35.68 (2.12%)
Gold	GVZ	15.02 (0.30%)

MARKET OUTLOOK

Futures are indicating a higher open to close the week as trade tensions continue to ease ahead of their October meeting. China confirmed overnight that they would not impose additional tariffs on US pork or soybeans. The consensus is that this is being done more out of necessity than goodwill given the Asian Swine Flu has decimated supplies in the region. POTUS back-tracked on comments from yesterday and said that he would consider an interim deal. In Washington, the President plans to unveil tax cuts for the middle class in the next year he announced. The move is almost certain to face opposition in Congress and Sec. Treasurer Mnuchin already dismissed both payroll tax cuts and capital gains cuts, so not sure where else POTUS can go. Copper a standout overnight up another 1% and out of a bull flag.

Asian markets were strong to close the week with the Nikkei rising over 1% to new 4-month highs. Real estate was strong with yield-sensitive groups outperforming. **Panasonic** higher by 1% after reports that **Toyota** would start using its batteries for EV production. **Yahoo Japan** higher by 5% after agreeing to takeover **Zozo** for \$3.7B. It was a quiet night for new data in the region. Parts of China was on holiday for the Mid-Autumn Festival while South Korea remains closed for the Full Moon Festival.

European markets are mixed this morning with the FTSE again lagging. The DAX is on pace for its fourth straight higher close. Banks are rising this morning after the ECB's announcement yesterday and easing of long-term loan terms. **BNP Paribas**, **Santander**, **ING**, **SocGen**, and **BBVA** leading the Stoxx 50. Eurozone trade balance rose in July to €24.8B, above the forecasted range. Labor costs rose slightly in Q2 while wages also slightly higher. Spanish CPI came in at 0.3%, no surprises. In stock specific news, **Roche** up less than 1% after fading a strong open on positive MS data.

Etsy (ETSY) in focus today with an upgrade at Wedbush to Outperform, \$66 PT. The analyst now sees a critical mass of new initiatives, highlighted by Etsy Ads and free shipping, that can drive stronger GMS growth and margin expansion over time. He "particularly likes" the timing with the holidays.

S&P TECHNICALS

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



4204 Advancing	Declining 3106
54.5%	40.3%
326 New High	New Low 58
84.9%	15.1%
4796 Above SMA50	Below 2824
62.9%	37.1%
4666 Above SMA200	Below 2954
61.2%	38.8%

KEY EVENTS TODAY**Economic Data on Monday:** Empire State Mfg**Earnings on Monday:** None**Earnings on Tuesday BMO:** APOG, CBRL**Analyst Events:** VRAY, ICAD, VAR**Conferences:** American Society of Radiation Oncology, Shoptalk Grocery**ANALYST ACTION/COMMENTS****Frontline (FRO)** upgraded to Buy at BTIG**PRA Health (PRAH)** upgraded to Overweight at Keybank**Ansys (ANSS)** upgraded to Buy at Griffin**Pearson (PSO)** upgraded to Buy at UBS**Kemet (KEM)** upgraded to Buy at Stifel, \$26 PT**Genmab (GMAB)** upgraded to Buy at BAML**Advance Auto (AAP)** upgraded to Buy at Citi**Avery Dennison (AVY)** upgraded to Buy at BAML**Dana (DAN)** upgraded to Buy at BAML**Tradeweb (TW)** upgraded to Buy at BAML**Garrett Motion (GTX)** upgraded to Neutral at BAML**Etsy (ETSY)** upgraded to Outperform at Wedbush**MDC Holdings (MDC)** upgraded to Strong Buy at Raymond James Financial**Nvidia (NVDA)** downgraded to Sell at DZ Bank**Tocagen (TOCA)** downgraded to Neutral at Chardan**O'Reilly (ORLY)** downgraded to Neutral at Citi**Huazhu (HTHT)** downgraded to Neutral at Goldman**Legg Mason (LM)** downgraded to Neutral at Wells Fargo**Waddell & Reed (WDR)** downgraded to Sell at BAML**CBOE Global (CBOE)** downgraded to Sell at BAML**Adient (ADNT), Aptiv (APTV), Asbury (ABG)** downgraded to Neutral at BAML; **Lithia (LAD), Sonic Auto (SAH)** to Sell**Barrick (GOLD)** initiated Outperform at Macquarie**Intuitive Surgical (ISRG)** started Buy at Redburn**MEDIA HIGHLIGHTS****Square (SQ)** said to test free stock trading in its cash app (ETFC, SCHW) - Bloomberg**WeWork (WE)** looking at curbing voting power of co-founder to save IPO - FTSubpoena seeks information on **Google's (GOOGL)** ad business - WSJRegulators open investigation into **Nissan** Rogue braking issue - AP**Juul (MO)** considers pushing back on e-cigarette ban - WSJFTC to devise guidance to clarify its role in how to police Big Tech (**GOOGL, AMZN, FB**) - WSJ

China Seeks to Buy Control of Hong Kong Companies – Reuters

ESPN (DIS) president wary of tech companies going after NFL rights (**AMZN**) – NY Post**Ford (F), General Motors (GM)** rev up electric pickup trucks to head off **Tesla (TSLA)** – ReutersWine and Liquor No Longer Mix (**DEO**) – WSJ**Toyota (TM)** will use **Panasonic** batteries for EV - NikkeiHouse investigators want to speak to **Boeing (BA)** workers about 737 Max 8 – Bloomberg**Bunge (BG)** purchased a 30% stake in **Agrofel Graos**. Reuters**STOCK SPECIFIC NEWS OF NOTE****Alaska Air (ALK)** combined August traffic up 4.6%**Ritter (RTTR)** Phase 3 trial of RP-G28 fails to demonstrate statistical significance**YRC Worldwide (YRCW)** reports Q3 quarter-to-date LTL tonnage per day down 3.3%**M.D.C. Holdings (MDC)** reports prelim. Q3 net new order activity up 63% from last year**Black Knight (BKI)** acquires Compass Analytics**Microsoft (MSFT), Walt Disney (DIS)** Studios announce five-year content creation partnershipNPD: Videogame sales fell 18% in August, spending down 6% YTD (**ATVI, TTWO, EA**)**LSE** board unanimously rejects proposal from **HKEX**

PRE-MARKET MOVERS

Moving Higher: BCS 4.5%, RIO 2.5%, DB 2%

Moving Lower: DEO -2%

INSIDER TRADING (Form 4 Filings)

Buying: CARS, CSTR, RUN, ITCI

Selling: AVT, SCL, CTXS, MDC, PH, DXCM

POTENTIAL SYMPATHY TRADES

SCHW, AMTD, ETFC – on SQ stock trading

OPTION HIGHLIGHTS (Prior Day)

Radius Health (RDUS) buyers early in the October \$30 and \$35 calls and now the latter up over 5200X on the day while 1395 of the April \$30 calls bought up to \$5.60. RDUS has seen buyers recently in the October \$30 calls while the October \$20 puts sold to open 1000X. In May, the January \$35 calls bought 1500X for \$4.20 and remain in OI. RDUS with a nice bull flag forming under \$29 with a small measured move to \$31/\$32 as it remains above the 8-EMA. Longer-term, RDUS is working out of a 12-month base with a big VPOC above at \$35/\$40. The \$1.3B company trades 9.77X sales and 6.89X cash with 40% and then 20.6% revenue growth forecast the next two years. The company's osteoporosis treatment Tymlos was approved by the FDA in 2017 and in August they announced a Phase 3 study looking at a wearable patch version of the treatment. Earlier assessment studies have shown high patient acceptability vs the injectable version. RDUS hopes the patch will greatly expand their market share in the large TAM (40K to 50K patients treated with anabolic drugs), especially among needle-averse or needle-phobic patients. RDUS believes the patch could triple their market share and overtake Eli Lilly's (LLY) Forteo which current has around 80% of the anabolic market. Analysts have an average target for shares of \$39. Citi upgrading to Buy on 8-29 with a \$40 PT. The firm sees fair value as high as \$100 if the patch works as it doubles their market and could drive \$830M in combined sales by 2028. Goldman upgrading to Buy earlier this year seeing Tymlos continuing to gain share while elacestrant provides attractive optionality. Short interest is 14.9% but down from 25.9% on April 2018. Hedge Fund ownership fell 13% in Q2. Farallon Capital, Rubric Capital, and DE Shaw top holders. In June, the SVP of Sales and Marketing bought stock at \$21.81 on the open market while others bought in March around \$19.25.

AFTER HOURS MOVERS

Gainers:

Losers: ARDX -6.5%, AVGO -1.1%

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

Cloudflare (NET) 35M share IPO priced at \$15.00

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>
Radius (RDUS)	Healthcare Services (HCSG)	Mallinckrodt (MNK)
LKQ Corp (LKQ)	Ligand (LGND)	Medicine Co (MDCO)
Viavi (VIAV)	True Car (TRUE)	Ligand (LGND)
T2 Bio (TTOO)	Immersion (IMMR)	Radius (RDUS)
Tocagen (TOCA)	Adverum (ADVM)	Yelp (YELP)
Duluth Holdings (DLTH)	Textron (TXT)	Aphria (APHA)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Ambev (ABEV)	Gossamer (GOSS)	Adverum (ADVM)
BCE	Triple-S (GTS)	Tocagen (TOCA)
Iovance (IOVA)	Adient (ADNT)	Avaya (AVYA)
Constellium (CSTM)	Delphi (DLPH)	Kroger (KR)
Nuance (NUAN)	Avon (AVP)	Ardelyx (ARDX)
World Wrestling (WWE)	Lear Corp (LEA)	Tailored Brands (TLRD)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Lennar (LEN)	Triple-S (GTS)	Xeris (XERS)
PG&E (PCG)	Lending Club (LC)	Adverum (ADVM)
Fitbit (FIT)	Etsy (ETSY)	PG&E (PCG)
IQIYI (IQ)	Mittal Steel (MT)	Atara Bio (ATRA)
General Electric (GE)	Tapestry (TPR)	Gossamer (GOSS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Microsoft (MSFT)	LKQ Corp (LKQ)	Viavi (VIAV)
AT&T (T)	Bank of America (BAC)	T2 Bio (TTOO)
GE	Enphase (ENPH)	Tocagen (TOCA)
Fitbit (FIT)	YPF SA (YPF)	Duluth Holdings (DLTH)
Zynga (ZNGA)	Walgreens (WBA)	Ligand (LGND)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Radius (RDUS)	Hormel (HRL)	ERI, 1500 December \$45/\$50 call spreads
Wynn (WYNN)	Chevron (CVX)	CNDT, 2,250 April \$7.5/\$12.5 call spreads
American (AAL)	Deutsche Bank (DB)	FIVE, October \$140/\$150 call spread bought 1,100X3,300
Invitae (NVTA)	Simon Property (SPG)	CPB, 2800 January \$40/\$47 bull risk reversals
Coca Cola (KO)	Ligand (LGND)	JPM, 2000 January 2021 \$10/\$105 strangles bought

Extras

Skyline (SKY) buyer of 1300 December \$34 calls to open \$2 to \$2.15

Gogo Wireless (GOGO) afternoon buyer of 1400 November \$6 calls \$0.65 to \$0.70

JD.com (JD) opening sale of 1000 March 2020 \$29 puts \$2.13 to \$2.11

Nevro (NVRO) breaking to new highs and 1000 October \$95 calls opened in the afternoon for \$2.50

Zynerba (ZYNE) late day buy of 2000 October \$15 calls \$0.40 to \$0.53 near the same time **GWPH** October bear call spreads opened

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AVGO	Broadcom	\$5.16	\$5.13	\$5,515.00	\$5,519.46	8.90%	

AVGO – Beat on EPS and Revenues In Line - "Our broad portfolio of mission critical semiconductor and infrastructure software solutions, utilized by the world's largest enterprises, continued to drive sustained revenues and robust cash flow despite a challenging market backdrop," said Hock Tan, President and CEO of Broadcom Inc. "Looking at the semiconductor solutions segment, we believe demand has bottomed out but will continue to remain at these levels due to the current uncertain environment." "During the quarter, we generated over \$2.3 billion in free cash flow representing over 8% growth on a year on year basis," said Tom Krause, CFO of Broadcom. "We returned over \$2 billion to stockholders in the quarter including \$1.1 billion in cash dividends and approximately \$1 billion in share repurchases and eliminations. We remain fully committed to maintaining our investment grade credit rating and, looking forward, we intend to focus on deleveraging our balance sheet."

Keybanc raising their PT to \$340 – The firm is positive on strength in networking and ASICs, as well as the ramp of the new iPhone and content growth, which will offset weakness in storage and broadband.

Oppenheimer with a \$315 PT, positive on the quarter – They note wireless trends will likely improve into calendar 2020, despite soft iPhone unit growth, as Broadcom benefits from modest content gains this cycle and more significant gains with 5G iPhone in 2H20.

JP Morgan positive and reiterating a \$350 PT - Despite the challenging near-term environment, Broadcom should drive strong adjusted free cash flow of ~\$10.5B from continuing operations. This implies the annual dividend will rise closer to \$13.00 per share in December, or 20%-plus growth from the current annual dividend of \$10.60 per share

IPO Focus

Datadog (DDOG) is expected to IPO soon after setting its pricing range this week at \$19-\$22 per share. The company will sell 24M shares and at the high-end of the range they could be valued around \$6.4B while at the low-end closer to \$5.5B. DDOG has a wealth of VC backers including Index Ventures, RTP

Venture, and OpenView. The company is part of a growing field of cloud monitoring applications which provides analytics across a company's servers, databases, tools, and services. The dashboard offers a view of alerts and visualizations as well as full-text search for events and discussion tools. DDOG integrates with a number of other cloud packages out of the box so enterprise IT teams can work without interruption. They cover AWS, Azure, OpenShift, and OpenStack. DDOG's history includes a rapid expansion of their product scale over the last four years. They started as unified platform but added infrastructure monitoring, APM, logs, and UX. They see a massive opportunity to provide insight into cloud infrastructure. They estimate the TAM right now is \$35B while Gartner sees the IT Operations Management market a \$37B opportunity by 2023. This is largely due to a drive for companies to allocate more of their IT budget toward cloud. DDOG differentiates from peers: 1) they are built for modern cloud environments including multi-cloud or hybrid environments. This helps opens them up to wider vendor acceptance; 2) their data platform is fully integrated with metrics, traces, and logs which allows for better correlation analysis. They also utilize machine learning for quicker and better results; 3) they're scalable with more than 10T events a data under observation. DDOG sees growth drivers going forward from further market penetration, new production adoption by existing base, and expanding Internationally. Their main competitors are **SignalFX**, acquired by **Splunk (SPLK)** recently, and **Dynatrace (DT)** which debuted earlier this year. DDOG is on track to grow revenues by 88% this year but remains unprofitable. Their operating loss for the last six months was \$14M. They have over 8,800 customers including 590 with \$100K+ ARR and 40 at \$1M+ ARR. Their dollar-based net retention rate is 146%.