

**TOP STORIES**

- Oil Jumps 15% as Drone Strikes Target Two Major Oil Installations in Saudi Arabia
- US Blames Iran for Attacks, Saudi's Prepare for Retaliation
- China's Slowdown Deepens As Industrial Output Growth Hits 17 Year Low
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**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2996.75 (-11.75)</b>	<b>-13.39</b>
<b>Nasdaq</b>	<b>7860 (-48.25)</b>	<b>-58.96</b>
<b>Dow</b>	<b>27109 (-105)</b>	<b>-109.52</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7349.95</b>	<b>-0.24%</b>
<b>DAX</b>	<b>12399.33</b>	<b>-0.55%</b>
<b>Nikkei</b>	<b>Closed – Holiday</b>	
<b>Hang Seng</b>	<b>27124.55</b>	<b>-0.83%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Empire State Mfg.</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1038 (-0.32%)</b>
<b>USD/JPY</b>	<b>107.71 (-0.33%)</b>
<b>USD/CAD</b>	<b>1.3246 (-0.28%)</b>
<b>GBP/USD</b>	<b>1.2441 (-0.47%)</b>
<b>USD</b>	

**COMMODITY**

<b>Oil</b>	<b>59.55 (8.57%)</b>
<b>Natural Gas</b>	<b>2.659 (1.72%)</b>
<b>Gold</b>	<b>1511.1 (0.77%)</b>
<b>Copper</b>	

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>13.74 (-3.38%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>18.13 (1.40%)</b>
<b>Oil</b>	<b>OVX</b>	<b>35.48 (-0.28%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>14.94 (-0.86%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning with global markets under pressure following an attack on Saudi Arabian oil production over the weekend. The drone attacks cut more than 5% of the global oil supply and sent Brent spiking over 19%, a record. Aramco has cut production by about 50%. POTUS has authorized the release of oil from the US strategic petroleum reserve after the attacks to help prices while he added the US is ready to act against whoever carried out the strike. The President is waiting for more out of Riyadh before proceeding. WTI has settled a bit and now up 9.5% on the day while Brent is up 10.2%. Gasoline is up 9.3%. The dollar is modestly higher while Silver is up 2.15%.

Asian markets were weak overnight after data out of China disappointed. Sentiment was mixed with some seeing room for more stimulus. Hong Kong shares slid on more protests over the weekend. Oil firms rose with the move in crude. CNOOC was up 7% while **PetroChina** up 4.5% and **Sinopharm** up 2.5%. Japan is on Holiday today. Chinese retail sales slowed in August to 7.5% vs 7.9% forecast while unemployment was slightly lower at 5.2%. Industrial production slowed to 4.4% vs 5.2%. Fixed asset investment also slowed to 5.5% vs 5.6%.

European markets are lower across the board this morning and snapping a four-session winning streak. Oil majors like BP and Shell are all outperforming with the Saudi news. Tullow jumped 7% after announcing it would drill three more wells in Guyana after another big discovery. Airlines were down with the oil spike as **Ryanair**, **Air France KLM**, and **EasyJet** all faded. **Volkswagen** fell modestly after settling another lawsuit over emissions. Italian CPI slowed in August to 0.4% vs 0.5%. The ECB's Benoit Coeure spoke this morning in Switzerland but nothing major of note.

**Uber (UBER)** and **Lyft (LYFT)** in focus with HSBC upgraded to Buy today. The firm thinks regulatory concerns are priced into shares and continues to see "a lot of optionality" around product improvements for both. In addition, both can reach profitability if they pull back on sales and marketing and leverage the fixed cost base

**S&P TECHNICALS**

**Levels:** Support 2,825/2,800; Resistance 3,020/3,060



<b>3777 Advancing</b>	<b>Declining 3473</b>
<b>49.0%</b>	<b>45.1%</b>
<b>271 New High</b>	<b>New Low 38</b>
<b>87.7%</b>	<b>12.3%</b>
<b>4694 Above SMA50</b>	<b>Below 2926</b>
<b>61.6%</b>	<b>38.4%</b>
<b>4715 Above SMA200</b>	<b>Below 2905</b>
<b>61.9%</b>	<b>38.1%</b>

**KEY EVENTS TODAY****Analyst Days:** Roche, ARAY, ICAD**Conferences:** American Society for Radiation (AZN, BMY, BSX, HOLX, GHDX, MDT, MRK, NVCR, SNY, VAR)**Tomorrow...** FOMC Begins, Industrial Production at 9:15 AM, Housing Market Index at 10:00**Earnings Before the Open:** APOG, CBRL**Analyst Days:** BL, ZS, RMBS, DHR, BRKS, KN, CACI, MAS, VMC, KLAC, MCFT**ANALYST ACTION/COMMENTS****Raytheon (RTN)** upgraded to Overweight at JP Morgan**Schlumberger (SLB)** upgraded to Overweight at Barclays**Centennial Dev (CDEV), SM Energy (SM), Jagged Peak (JAG)** upgraded to Overweight at Keybank**Greenbrier (GBX), Wabtec (WAB)** upgraded to Overweight at Keybank**Crescent Point (CPG)** upgraded to Outperform at BMO**PG&E (PCG)** upgraded to Neutral at Citi**Public Storage (PSA)** upgraded to Neutral at MSCO**Lyft (LYFT), Uber (UBER)** upgraded to Buy at HSBC**Designer Brands (DBI)** upgraded to Positive at SIG**Lowe's (LOW)** upgraded to Outperform at Wedbush**ReMax (RMAX)** upgraded to Outperform at JMP**Atara Bio (ATRA)** downgraded to Hold at Jefferies**Halliburton (HAL)** downgraded to Neutral at Barclays**Extra Space (EXR)** downgraded to Sell at MSCO**Dicks Sporting Goods (DKS)** downgraded to Neutral at Wells Fargo**HP (HPQ), Infosys (INFY)** downgraded to Neutral at UBS**JP Morgan (JPM)** downgraded to Neutral at Buckingham**Aurora (ACB)** downgraded to Sell at Stifel**Huya (HUYA)** initiated Buy at HSBC, \$30 PT**Enphase (ENPH)** initiated Overweight at JP Morgan**MEDIA HIGHLIGHTS**UAW calls strike against **General Motors (GM)** amid financial crisis – CNBCNew York bans flavored e-cigarettes (**MO**) - ReutersRegulators to question **Facebook's (FB)** Libra amid EU concerns – FT**Boeing (BA)** board to call for safety changes following 737 Max crashes – NYTimesBarron's positive **UHAL, TPR, UAL, T**; cautious on **UNP, CNI, CSX, NSC, CP, KSU****Fresenius (FMS)** has ended sale plans for its blood transfusion business – Reuters**Deutsche Bank (DB)** aims to join blockchain network led by **JP Morgan (JPM)** – FTTropical Storm Humberto will likely become a hurricane tonight (**GNRC, HD, LOW**) - Axios**Volkswagen's Audi** could face penalties over failure to remove emission software – Reuters**STOCK SPECIFIC NEWS OF NOTE**FDA panel votes 7-2 saying **Aimmune's (AIMT)** peanut allergy drug Palforzia works**Viper Energy (VNOM)** to acquire interest from Santa Elena Minerals for 5.2M units**Disney (DIS)** CEO Bob Iger resigns from **Apple (AAPL)** board of directors**Purdue Pharma** files for bankruptcy**Sanofi (SNY), Abbott (ABT)** partner to integrate glucose sensing and insulin delivery tech**Alder Biopharmaceuticals (ALDR)** to be acquired by **Lundbeck** in deal valued at \$1.95B**Medtronic (MDT), Novo Nordisk (NVO)** enter collaboration**Accuray (ARAY)** China announces tariff exclusion for medical linear accelerators**Blackstone (BX)** to acquire **Dream Global REIT** in C\$6.2B transaction**ForeScout (FSCT)** announces expanded integration with **Microsoft (MSFT)****Synchrony (SYF)** August net charge offs 3.9% vs 4.13%; **COF** 4.18% vs 4.25%**Burlington (BURL)** CFO resigns

**PRE-MARKET MOVERS**

**Moving Higher:** ALDR 81%, CRC 27%, WTI 24.8%, WLL 20.7%, CDEV 20%, CPE 14.5%

**Moving Lower:** ACB -4.7%, DB -2.5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** CC, PBF, OLLI, WMS, XPO

**Selling:** FOXF, WYNN, QDEL, PEN, TTEK, LMAT, MGM, COO, HCSG, HZNP, HE, CSCO

**POTENTIAL SYMPATHY TRADES**

AAL, UAL, DAL, SAVE, JBLU – lower on the oil move

**OPTION HIGHLIGHTS (Prior Day)**

**Bluebird Bio (BLUE)** with 1,000 November \$105 puts sold to open down to \$8.30 this morning and follows 1,000 of the November \$100 puts sold to open yesterday. BLUE has 1,000 December \$110 short puts in OI from 8-22 around \$13.50 while the January \$100 calls and January \$120 calls with some recent buys. BLUE is working out of a small base today and downtrend from the July highs with a VPOC above at \$120 and then room to \$140. Longer-term, BLUE is back to late 2018 support and forming a double-bottom after trading as high as \$220 in early 2018. The \$5.89B biotech trades 105X sales and 4.7X cash. BLUE sees revenue growth accelerating through FY21 up to \$385M from \$49.5M this year as they enter the early stages of launch for Zynteglo, their treatment for beta-thalassemia. The company got approval in Europe earlier this year and focus now is expanding facilities. BLUE is also initiating new studies in SCD, multiple myeloma, and oncology. Analysts have an average target for shares of \$153. William Blair downgrading on 8-12 to Neutral taking a conservative view on the company's transition from a development-stage company to a commercial-stage company. Based on the reimbursement model, the analyst believes that the Zynteglo launch is likely to be a "slow mover." Maxim upgrading to Buy in June with a \$160 PT seeing a U.S. filing for Zynteglo possibly this year with approval expected to take place in 2020. Short interest is 15.3% and rising from around 10% in June. Hedge Fund ownership fell 12.7%. Casdin Capital and Armistice Capital notable holders. Baker Bros own a small position as well.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.665	Elevated – Cautious
CBOE Index Put/Call Ratio	1.22	Rising – Cautious
CBOE Skew Index	118.40	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	68	Greed
NYMO	34.47	Elevated
NYSE New Highs – New Lows	59	Neutral
McClellan Summation	695.78	Above 8-EMA
Univ. of Michigan Consumer Sentiment	89.8 (August Final)	-6.7% Y/Y

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

**IPO MONITOR**

**Datadog (DDOG)** issuing 24M shares at \$19-\$22; Monitoring and data analytics company for developers and IT operations teams

**Envista (NVST)** issuing 26.8M shares at \$21-\$24; One of the largest global dental products companies

**Ping Identity (PING)** issuing 12.5M shares at \$14-\$16; Developer of Intelligent Identity Platform that analyzes device, network, and application user data

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**CHDN:**



**Churchill Downs (CHDN)** shares trading in a narrow range over the last three weeks and under \$125 with a breakout targeting \$135+. RSI and MACD are both in narrow ranges and plenty of room to run on a breakout. The 20- and 50-MA are both sloping higher.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Tetra Tech (TTEK)

**Price:** \$83.70

**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:** TTEK is a \$4.59B technical services company with a focus on data collection, construction management, engineering design and more for both government and private sectors. TTEK expected double-digit growth with a growing backlog and strong long-term guidance as they work down a lot of low-margin business in energy. The company recently won a deal with the EPA and set to benefit as government budgets swell.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**AMH:**



**American Homes 4 Rent (AMH)** shares are back near multi-week support after a double top around \$26 in July/September. A move lower targets a big VPOC around \$22.75 and then \$21.50 from the January breakout. MACD crossed over bearish and RSI is oversold but not an extreme.

## PAIR TRADE OF THE WEEK

**Industry:** Restaurants

**Long/Short:** Long **Dunkin (DNKN)**, Short **Wendy's (WEN)**

**Analysis:** DNKN is seeing better momentum in comps with the 2Go menu while digital upgrades are making the in-store experience more efficient. WEN is likely in the penalty-box near-term as they expand breakfast and investments will pressure margins.

## SMALL CAP TRADE OF THE WEEK

**Hostess (TWNK)** is a \$1.85B company which trades 20.4X earnings and 2.07X sales with double-digit growth. TWNK raised guidance last week seeing revenues above the SBG category. TWNK has a 19% market share, strong brand, and low-cost model which positions them well longer-term. They also have significant FCF as a % of operating cash flow which they use for reinvesting in the business, strategic deals, and capital return.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Rambus (RMBS)	Wyndham (WH)	Overstock (OSTK)
2U (TWOU)	Papa Johns (PZZA)	2U (TWOU)
ON Semi (ON)	Macom (MTSI)	Cars.com (CARS)
Brown Forman (BF/B)	Owens Illinois (OI)	Rambus (RMBS)
National Vision (EYE)	Owens Minor (OMI)	Play AGS (AGS)
Scientific Games (SGMS)	Ligand (LGND)	Lumber Liquidators (LL)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Mobileiron (MOBL)	Newpark (NR)	Immunomedics (IMMU)
Conduent (CDNT)	CalAmp (CAMP)	Gamestop (GME)
Griffon (GFF)	Evolent (EVH)	Intec (NTEC)
Amphenol (APH)	Wyndham (WH)	Bitauto (BITA)
Carters (CRI)	Zogenix (ZGNX)	Mallinckrodt (MNK)
Altice (ATUS)	Ring Central (RNG)	Knowles (KN)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
HP Enterprise (HPE)	E-Trade (ETFC)	Overstock (OSTK)
Petrobras (PBR)	McDermott (MDR)	Gossamer (GOSS)
Nio (NIO)	American Axle (AXL)	PG&E (PCG)
Box (BOX)	Freeport (FCX)	Solid Bio (SLDB)
Alcoa (AA)	Cisco (CSCO)	Lannett (LCI)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Bank of America (BAC)	McDermott (MDR)	Rambus (RMBS)
JP Morgan (JPM)	Scientific Games (SGMS)	2U (TWOU)
AT&T (T)	Century Link (CTL)	ON Semi (ON)
Toll Brothers (TOL)	Z-Scaler (ZS)	Owens Illinois (OI)
Microsoft (MSFT)	Twitter (TWTR)	Owens Minor (OMI)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
UPS	Kemet (KEM)	TLT, 12,000 December \$146/\$151 call spreads
Bluebird Bio (BLUE)	Lannett (LCI)	BUD, 1,000 December \$100/\$105 call spreads
Rambus (RMBS)	Bausch (BHC)	RCL, 1,500 December \$115/\$130 call spreads
Gap (GPS)	Papa Johns (PZZA)	KKR, 3,800 January 2021 \$27/\$18 put spreads
2U (TWOU)	Nvent (NVT)	TEVA, March \$9/\$14 call spread bought 2,000X4,000

## Stock Specific News

**AT&T's (T)** CEO exit plans sparked activist challenge - WSJ

**J. Crew** plans **Madewell** brand IPO - WSJ

**AB InBev (BUD)** among firms targeted by fresh EU probe on Belgian tax – Bloomberg

**Timken (TKR)** to acquire BEKA Lubrication for \$165M

**Apple (AAPL)** will face hearings this week related to Ireland tax case – FT

**Osram** Shrugs Off Doubts to Back \$4.1 Billion **AMS** Bid – Bloomberg

Baby-Formula Maker **Bellamy's** Accepts \$983M **China Mengniu** Takeover Offer – Bloomberg

**Hong Kong Exchange, LSE** Bid Hit by Further Setback as China Balks – Bloomberg

**AngloGold Ashanti (AU), B2Gold (BTG)** in deal over Colombia project – Reuters

**Tullow** to drill at least 3 new Guyana wells in 2020 after second discovery – Reuters

**LG Display** to replace its chief executive amid mounting losses – Reuters

Banks Warm to Mortgage Bonds That Burned Them in 2008 - WSJ

Luxury's Trouble Getting Down With American Kids (**TIF, TPR, CPRI**) – WSJ

**SemGroup (SEMG)** to be acquired by **Energy Transfer (ET)** for \$17/share in cash and stock

**Karyopharm (KPTI)**, Healthcare Royalty Partners enter royalty agreement up to \$150M

**Winnebago (WGO)** to acquire Newmar Corporation for approx. \$344M

**Cars.com (CARS)** announces record-setting traffic growth in August

**New Relic (NEWR)** affirms Q2 outlook, cuts FY revenue view

## Extras

**Biomarin (BMRN)** afternoon spread sold 1,000 January \$70 puts to buy the \$75/\$90 call spread for a small credit, weak name this year

**Tata Motors (TTM)** stock replacement sells 2,500 April \$9 puts for \$1.15



**Oracle (ORCL)** with afternoon sellers of 2,400 November \$52.50 puts down to \$1.25

**Dycom (DY)** with 1,450 September \$60 short calls rolling to December which open \$2.45

**Ares Capital (ARCC)** late day buyers of 1,600 January 2021 \$17 calls for \$2.20 to \$2.25

**Avalara (AVLR)** stock replacements bought 635 October \$75 calls up to \$3.50, recent Nov. call buys

**CrowdStrike (CRWD)** late day buyers of 525 October 4<sup>th</sup> (W) \$70 puts up to \$7

**Abercrombie (ANF)** big jump in IV this afternoon with 2,600 ITM September \$17 calls bought up to \$1.15 and **American Eagle (AEO)** with 2,900 Sept. \$17.50 calls bought up to \$0.80

**Fidelity (FIS)** buyers of 1,600 September \$130 puts for \$1.18 to \$1.25

**Russell 2000 (IWM)** buyer of 9,850 December \$158 calls up to \$5.52 this afternoon

**First Solar (FSLR)** late day buyers on Friday of 3,000 October \$65 calls up to \$2.15 and follows buyers in the March \$65 calls and December \$65 calls recently. Shares are basing at YTD VPOC and just above the 200-MA after pulling back off of 52-week highs in August. A move above \$64.50 has room back to \$68 and then a run at the measured move to \$80. RSI is back above 55 and MACD is healthy with plenty of room to run. The \$6.56B company trades 17.5X earnings, 2.64X sales, and 3.2X cash. FSLR expects to earn more than \$4/share by FY21 with revenue growth accelerating as well. The company had a rare Q2 loss in August but raising their FY outlook anticipating a positive inflection in bookings in the 2H and 90% of capacity sold out through 2021. FSLR reported better capacity utilization and 16% growth in MWs produced per day. They see 6.0 GW opportunity in potential mid-and-late stage projects with most in North America. Analysts have an average target for shares of \$70. JP Morgan with an \$82 target remains on track for a "strong earnings inflection" into 2020 citing the company's "solid" execution of the Series 6 ramp, an "unplanned" 5% improvement in manufacturing throughput, and revenue visibility that he says now extends through mid-2021. Short interest is 9.6% but flat since November. Hedge Fund ownership fell 23.9% in Q2. Lansdowne Partners, Polunin Capital, Electron Capital, and Kettle Hill all notable holders.

### Earnings Preview

**General Mills (GIS)** reporting earnings on 9/18 before the open with the Street looking for \$0.77 on \$4.084B in sales. Next quarter is guided to \$0.88/\$4.47B and the FY is \$3.36/\$17.35B. Shares have traded lower four of the last six with an average closing move of 4.59% and a max move of 8.9%. The current implied move is 3.94% with IV30 in the 56th percentile of its year-long range. Skew is very bearish with 25-delta p/c at 18.1% vs 11.8% average. The \$32.64B company trades 15.5X earnings, 1.94X sales and 30X FCF with a 3.65% yield. GIS expects to see bottom-line growth accelerate the next two years while revenue growth is flat. GIS has seen momentum in US cereal as they gain shelf space in US markets and innovate on product across a number of key brands. Yogurt is also a growing segment with sales near flat after being down 19% in FY17. The introduction of new packaging and brands like Oui, Goodbelly, and YQ are also helping. In Pet Food, they continue to gain share in the large and growing TAM with premium wholesale outpacing the overall industry growth. Blue Buffalo's household penetration continue to grow as well. Analysts have an average target for shares of \$53 with 6 buy rating, 11 hold ratings, and 1 sell rating. Guggenheim raising their PT to \$65 on 7-10 citing numerous innovations across its products lines. The firm thinks management "still feels conservative" if

organic sales growth is within the guidance range of 1-2%. Piper positive with a \$56 PT citing product launches, e-commerce, and its natural/organic portfolio to be among the main drivers of its expected top-line growth. Further, they see its evolving segment and product mix should add help to margins in fiscal 2020. Short interest is 2.9% and down from around 6% in early March 2018. Hedge Fund ownership rose 30.3% in Q2. Mairs and Powers, Silvercrest, and Alkeon Capital notable holders.