



## Inside Today's Blitz

- Markets Mixed Ahead of Fed, Powell Commentary on Inflation
- OECD Sees Global Slump Not as Bad Feared
- **NKLA** being probed by DOJ; **KODK** cleared after investigation into insider trading; **SNOW** prices above range; **GM** planning to design EV drive systems; Congress finds fault with **BA** in 737 crashes

## Market Outlook

Futures indicating a solid open for the morning with the **SPX** up 47 bps, the **Nasdaq** up 49 bps, and the **Dow** up 38 bps. Oil is rallying again with **WTI** up over 2%. **Gold** and **silver** both bid slightly with the former leading up 36 bps. The **dollar** is off by 20 bps. Focus today is on the Fed and their last decision before November's election this afternoon. There is universal consensus that we'll see no action on rates while new forecasts are expected to show officials see them staying near zero through 2023. A Bloomberg survey showed some expect Powell to commit today to allowing inflation to overshoot its 2% target before tightening. The latest OECD outlook was not as bad as feared with expectations now for a 4.5% decline in global economy vs 6% prior. They did note that central bank support would be needed for some time. In Washington, the President again raised prospects of a COVID vaccine before the election.

This comes despite top officials saying that widespread vaccine availability is not likely until mid-2021. Stimulus efforts remain lackluster as the most likely scenario now puts a deal after the election.

Asian markets are mixed this morning ahead of the Fed decision. Shares in China and Hong Kong are down after three straight higher sessions (Shanghai down 40 bps, Hong Kong down marginally). The Nikkei was higher after Suga was elected PM. **Softbank** up over 4.5%. European markets are edging higher for the fourth straight day after some positive earnings pre-announcements. The FTSE is being dragged lower by weakness in the banking sector. Retailer **Inditex** is up 6% after their said they're seeing online sales grow sharply while in-store sales are also recovering. This comes after positive comments from H&M yesterday. Swiss plumbing materials company **Geberit** is up 1% after announcing a buyback. Sweden's **Handelbanken** is up 2.5% after announcing plans to close nearly half their branches. **Hut Group** surging 26% in its debut, the first major UK IPO in years. The British e-commerce company operates over 100 international websites.

## Calendar

**Today...** MBA mortgage applications, Retail sales, Business Inventories, EIA inventories, FOMC decision; **earnings** from BRC and MLHR (after); **analyst meetings and roadshows** from LLNW, GLUU, QNST, NTAP, DT, AJG, AFL, SERV, FRPT, JACK, HAIN, DPZ, AMED, HSKA, HSII, AAXN, BC, EXLS; **conferences** including Goldman Communicopia, Barclays Fins, Wells Fargo Consumer, MSCO Healthcare, and MSCO Industrials

**Tomorrow...** focus on Housing Starts, Philly Fed, BOJ decision, BOE decision, analyst meetings/roadshows from ZNGA, RDFN, FIS, TREE, SERV, TTD and another full slate of conferences

## Overnight Markets

Oil (WTI)	29.2	2.40%
Gold	1975	0.45%
Silver	27.59	0.44%
Nat Gas	2.372	0.42%
Euro	1.1898	0.18%
Bonds	176.72	0.12%
Copper	3.063	0.01%
US Dollar	92.84	-0.27%

## Technical View



### Key Levels to Watch

It was a strong night overall for S&P futures despite opening slightly lower. We made our low for night early at 3385 and then rallied through the US open. The Tuesday highs at 3409 taken out around 5am and now firmly back above the 8-EMA on the daily. Resistance of this small base key at 3424.25 now. Overnight VWAP is rising at 3404. VWAP from Sunday's open was support early down at 3387.75 and key spot on the downside.

## Economic Data

- **UK** Inflation slows in August at +0.2% vs 0.1% Forecast (+1% in July)
- **Japan** August Exports -14.8% vs -16.1% Consensus; Imports -20.8% vs -18% Consensus

## Macro News

- **Yoshihide Suga becomes next Japanese PM**, a move that was widely expected, says WSJ. His top priority will be the early impact of COVID and plans to continue Abe's economic policy
- Trump has reversed his **Canadian aluminum tariff** after the Trudeau government threatened to retaliate, says The Hill
- **Trump** is expected to throw a ton of policy moves out in the final two months before the election, says Politico. The tactic is familiar for Trump as he hopes some GOP-friendly ideas stick
- **OECD says the global COVID slump won't be as bad as feared**, per Bloomberg. The world economy will shrink 4.5% this year, less than the 6% forecast in June
- NYC is planning for a surge in COVID cases this fall, says Bloomberg. This comes as they reopen offices, restaurants, and schools

### Movers

**Gainers:** MYO 45%, KODK 42%, FDX 10%, INO 5%, OSTK 4.5%, UPS 4.5%, ADBE 3%

**Losers:** ADT -8%, NKLA -7.5%, FB -1.5%

### Insider Buying

FTK, CI, SLB, BHVN, ITCI

### IPO Monitor

**JFrog (FROG)** to IPO 11.6M Shares \$39 to \$41 on 9/16

**Pricing at \$44/Share**

**Snowflake (SNOW)** to IPO 17.5M shares at \$100 to \$110 on 9/16

**Pricing \$120/share on 9/15**

**Sumo Logic (SUMO)** to IPO 14.8M Shares at \$17-\$21 on 9/17

**Vitru (VTRU)** to IPO 11.2M shares at \$22 to \$24 on 9/17

**Unity Software (U)** to IPO 25M shares at \$34 to \$42 on 9/18

## Stock-Specific News

### Consumer

- **AMC Networks (AMCX) announces plan for Dutch Auction** wherein the company will buy \$250M in stock at no less than \$22.50 and no greater than \$26.50; **chairman also stepping down**
- **DIS** is likely to move 'Black Widow' and 'Soul' releases to Disney+, says Variety. The former is the latest Marvel chapter and was expected to open 11/6
- **TACO** sees prelim Q3 sales above, comps +4.1%
- **HST** reports July RevPAR down 87.5% Y/Y, August down 82.1%
- **ETH** retail segment written orders have continued to accelerate up 10% in the past two months
- **KSS** could cut headcount by 15% in order to cut costs
- **Flywheel Sports** is filing for bankruptcy, says WSJ. The **PTON** rival is shutting down operations as well
- **Inditex (ITX:SM)** climbs 8.7% in Spain as returns to Q2 profits, expects further recovery in Q3

### On the Chart

**DIS** continues to set up well technically and like the move to push more releases onto Disney+ longer-term as **Mulan** proved to be a big driver for sub adds

### Financials

- **Bankia, Caixabank** shareholders give the OK for a merger of the two, says Reuters. Board meetings now will need to formally approve the deal but expected to be swift

### Healthcare

- **LLY reporting proof of concept data for their COVID phase two treatment.** The treatment had a positive effect as a neutralizing antibody, in COVID-19 outpatients with mild-to-moderate symptoms
- **RDY** to work with RDIF on clinical trials of COVID vaccine
- **LH, Tempus** to partner on accelerating oncology trials

### Energy & Materials

- **LG Chemical to approve plan to spin off their battery business,** says Reuters. The unit expects profits to rise, driven by rising EV shipments for European automakers and increased sales for cylindrical EV batteries used mainly by Tesla.

### Sympathy Watch

**LG Chem** has been a winner in 2020 gaining market share vs peers like **CATL, Panasonic, Samsung SDI** and others, its partnership with **TSLA** key to driving rev growth

## Industrials

- **Nikola (NKLA) being probed by the DOJ**, says WSJ. They're looking at whether the company misled investors by exaggerating claims about its technology
- **Congressional report faults Boeing (BA) for 737 MAX failures**, says CNBC. This comes just as regulators are set to decide on recertification for the model
- **Kodak (KODK)** investigation finds no misconduct with respect to July option grants ahead of WH award
- **General Motors (GM)** is planning to manufacture a family of self-designed EV drive systems and motors, per Reuters.
- **EMR** August orders -12% Y/Y, activity turned positive in August driven by US HVAC and home improvement channels
- **LECO** investor update in presentation; July order rates trended down in high-teens percentage range and August orders continue to improve; shape of recovery remains unknown
- **TRTN** sees Q3 above, benefiting from a full period of higher utilization and reduced interest expense
- **ZTO** is pursuing a secondary listing in HK, says the WSJ
- **UNP** CEO was on Mad Money last night and noted that its new operating plan is much more efficient
- **Lufthansa** is preparing for deeper cuts, says Bloomberg
- **Osram Licht** rallying in Europe after a positive preannouncement, strong Summer recovery in demand especially in August

### Inside the Hawk Database

**GM** a lot of bullish flows lately into the October \$31, \$33, and \$36 calls while the March \$32 calls bought last week over 2000X

### On the Chart

**UNP** breaking out of a bull flag yesterday with a near-term target of \$208/\$210

## Tech/Telecom

- **The FTC is readying a potential antitrust suit against Facebook (FB)**, says WSJ. The case preparations come after the commission has spent over a year looking into concerns that the company has been using its strong market position to stifle competition
- **Microsoft (MSFT)** raises dividend to \$0.56/share from \$0.51/share
- **MSFT** also an interesting profile in the WSJ as they are 'hunting' for their next big growth driver. The piece says their failed bid for TikTok raises questions about what is next for the software giant looking to maintain momentum
- **Spotify (SPOT) is raising criticisms of Apple (AAPL)** and antitrust concern, says Reuters. The streaming service believes AAPL's new subscription bundle abuses the company's dominant market position
- **Snowflake (SNOW) priced their IPO at \$120/share**, says CNBC. This would value the company at \$30b.

### Sympathy Watch

**GOOGL** is looking to better compete with **ZM** in enterprise while in the hardware space likely up against **CSCO**, **LOGI**, and **PLT** who owns Polycom

## OptionsHawk Market Blitz

- **Google (GOOGL)** unveils new video conferencing hardware, 'Google Meet Series One' says CNET. The company debuted new devices for when office workers "eventually return" to conference rooms
- **Amazon (AMZN)** is planning to build small delivery hubs in cities and suburbs all across the US, says Bloomberg
- **AT&T (T)** is considering a cellphone plan subsidized by advertising, says Reuters. Various companies have tested advertising supported phone services since the early 2000s but they have not caught on
- **Softbank, Naver** to buyout remaining shareholders in **Line Corp**, says Bloomberg. The squeeze-out comes as some investors have resisted the proposal as they see it too low
- **PSTG** nearing \$400M deal for **Portworx**, says Bloomberg
- **UBER** to sell European freight unit to **Sennder**
- **ACN** to acquire **SALT Solutions**
- **CHKP** to acquire cloud-based tech from **Odo**
- **NTES** enters partnership with **BMG Music**

### On the Chart

**PSTG** small basing action under the 20-day recently after pulling back to the 38.2% Fib of the Spring rally; long squeeze set to trigger as well

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## Analyst Notes

### Upgrades

- **VECO** upgraded to Buy at Goldman, \$16 PT, valuation is compelling and provides significant runway for the shares to re-rate as the company executes on its "higher-margin, more-diversified" equipment platform
- **TPR** raised to Buy at Deutsche Bank, The company's increased efforts to refocus its brands, reduce SKU count, and accelerate its omnichannel strategy will result in "meaningful" gross margin expansion throughout fiscal 2021 with likely upside in 2022
- **CVET** raised to Buy at Stifel, \$26 target, sees the company as a unique asset as their prescription management business recently turned the corner on EBITDA and over the past two quarters has posted incremental EBITDA margin in the 25% range
- **LEN** raised to Outperform at RBC, the company's strategic price/pace balance and internal initiatives will protect strong margins against cost inflation and drive core homebuilding returns higher, adding that upside remains from unlocking value in ancillary businesses
- **DLR** raised to Outperform at BMO, the InterXion deal diversified the business from a geographic and product perspective, and is accretive to the growth profile with revenue synergies "still to be unlocked"
- **SIRI** raised to Buy at Benchmark, analyst has no concerns over SiriusXM's financial systems or reporting and is confident the company will remain the leader in audio entertainment in North America

### Inside the Hawk Database

**TPR** has 10,000 September \$15 calls in OI from recent buyer flow.

## OptionsHawk Market Blitz

- **KHC** upgraded to Neutral at Guggenheim, calls the divestiture of Kraft's natural cheese business a "first step in the right direction" of improving its balance sheet
- **BHP** upgraded to Buy at Jefferies, \$55 PT
- **NGD** upgraded to Buy at CIBC
- **KBH** raised to Outperform at Evercore

## Downgrades

- **RIG** cut to Neutral at Susquehanna, even as among the better positioned companies in the oilfield services industry, the analyst said it is not immune to the downturn that is causing weak demand and substantial excess capacity
- **DOW** downgraded to Reduce at HSBC
- **LYB** downgraded to Hold at HSBC

## Initiations

- **KEYS** started at Buy at UBS, \$133 PT, sees scope for acceleration post the pandemic given the company's leveraged to multiple secular growth drivers in Communication, Automation, and EVs
- **TEL** initiated Buy at UBS, \$130 PT, positive given its end markets are accelerating and the business is increasingly driven by secular forces, such as the EV transition, rather than the cyclical of auto production
- UBS also starting other small- and mid-cap industrials with **APH, GWW** at Buy, **ALLE, CFX, FAST, HDS, HUBB** at Neutral, **AYI, SNA** at Sell
- **OSTK** initiated Buy at CSFB, \$91 PT, sees upside potential in the near term based on "positive internal momentum and favorable external drivers," with positive long-term implications from this growth and incremental customer engagement.
- **TEAM** initiated Buy at Piper, \$212 PT, the 'next +\$5B software business' as the ongoing shift towards application development as a differentiation for every company, combined with other infrastructure and operations trends, will directly benefit Atlassian
- **PAYC, PCTY** started Outperform at Cowen, premium valuation is warranted given their "robust" growth, profitability and expanding market share into 2021/2022
- **DDOG** initiated Buy at Loop Capital, \$110 PT
- **CHX, TS** initiated Outperform at Scotiabank
- **OSTK** initiated Buy at Wedbush, \$92 PT
- **PTC** initiated Buy at Loop Capital, \$110 PT
- **WSC** started Buy at Berenberg

## Other Commentary

### On the Chart

**TEL** small bull flag setting up just above its 8- and 20-MA and around \$100, a big level just above at \$105 stretching back to 2017 as it looks to clear into space

### Inside the Hawk Database

**TEAM** notable accumulation in December \$150 calls with over 7000 now in OI

### Inside the Hawk Database

**DDOG** recent accumulation of calls in October in November in notable size.



## OptionsHawk Market Blitz

- **NKE** PT raised to \$130 at Piper, continues to see signs of "robust Nike brand strength" in the marketplace, supported strength in China and accelerating relevance in the secondary market. Longer-term, the analyst is bullish on the "significant margin benefits" of Nike's digital business
- **PTON** positive from RJF who sees a path to 100M subs as its subscriber addressable market has grown 43% y/y to 20M households in the last year, with COVID-19 accelerating underlying trends
- **SWCH** added to the Select List at Stifel, a "great way to gain exposure to data centers at a bargain on a relative and absolute basis."
- **Z/ZG** PT raised to \$115 at Deutsche Bank, reflects primarily a higher contribution from Zillow's Home segment of \$25 from \$16, using the implied OpenDoor valuation as a comp
- **QURE** dip is a buying opportunity, says Baird. The weakness was caused by Pfizer's (PFE) estimate of the market opportunity but he believes those estimates may be fair for Pfizer but not for uniQure's AMT-061.

## Trade Ideas



**Shift4 Payments (FOUR)** forming a nice bull wedge back to a confluence of support with the 50-MA and 50% retracement of the recent rally. A run above \$48 key to setting up a move back to recent highs around \$53 while the longer-term move targets the channel high near \$60. FOUR an interesting name with a lot of exposure to hospitality and shifting more of their investment efforts into curbside, delivery, and takeout capabilities to grow merchant share.

### Daily Technical Scans

**Reversal Days:** WERN, FOUR, MSGS, NCNO, AYU, KNX, CVNA, IRM, HAS, SLGN

**Ready to Run:** CHTR, LMT, ZTS, ITW, ABB, DG, CMI, AME, SNA, BG, SON, EVR

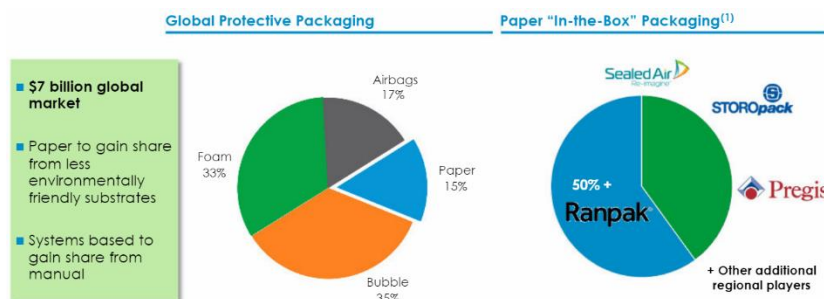
**RSI Leading (Bullish):** DDOG, SNAP, FMS, MRNA, ARGX, DGX, LH, AOS, KC, GFL, CCXI, ALKS, TREE, ADUS, SCPL

**Volatility Squeeze:** MO, NEM, GOLD, FNV, LHX, PRU, AFL, INVH, KL, BG, HBI, CFX, HOG, GT, SAVE, UPWK

## Small Cap Profile

**Ranpak Holdings (PACK)** has a \$745M market cap and shares are +35% YTD with recent strong momentum. Ranpak is a leading provider of environmentally sustainable, systems-based, product protection solutions for e-commerce and industrial supply chains. Its razor/razor-blade business model is designed to generate high-margin net sales that are recurring in nature through the sale of its value-added paper consumables for use exclusively in its installed base of protective packaging systems. Its paper packaging consumables are fiber-based, biodegradable, renewable, and curb-side recyclable to customers. None of its paper packaging materials contain plastic or other resin-based inputs. It sees key growth drivers including ecommerce growth, focus on sustainable products, geographic expansion, demand for automated solutions, expansion into retail and new products. The addressable market of the broader global protective packaging industry was an estimated \$7.5 billion in 2019 and growing. The global protective packaging industry is fragmented and competitive with market leaders

accounting for a relatively small share of the market. This fragmentation is due primarily to the variety of product types and the myriad of applications in which they are used around the world. PACK's primary competitors include Sealed Air Product Care Division, Pregis (FP International/Easypack), Intertape Polymer Group (IPG), Storopack and Sprick. PACK trades 13.5X EBITDA and 3.9X EV/Sales with revenue growth expected to accelerate to 8% in 2021. It has an asset light business model with > 30% EBITDA margins.



## Earnings Review

**ADBE – Beat on EPS and Revs, \$2.57 vs \$2.41 and \$3.23B vs \$3.16B** – "Adobe delivered the best Q3 in our history in a challenging macroeconomic environment, demonstrating the global demand for our innovative solutions," said Shantanu Narayen, president and CEO, Adobe. "We are confident that our leadership in the creative, document and customer experience management categories will drive continued momentum in 2020 and beyond." "Adobe drove outstanding performance in Q3, highlighted by growth in Creative Cloud and Document Cloud ARR, Digital Experience subscription revenue and record operating cash flows," said John Murphy, executive vice president and CFO, Adobe. "The resilience of our recurring business model and a strong book of business is driving sustained long-term growth."

**FDX – Beat on EPS and Revs, \$4.87 vs \$2.72 and \$19.321B vs \$17.562.5B** - "Our earnings growth underscores the importance of our business initiatives and investments over the last several years, and, in many ways, the world has accelerated to meet our strategies," said Frederick W. Smith, FedEx Corp. chairman and chief executive officer. Operating results increased due to volume growth in FedEx International Priority and U.S. domestic residential package services, yield improvement at FedEx Ground and FedEx Freight, and one additional operating weekday. These factors were partially offset by costs to support strong demand and to expand services, variable compensation expenses, and COVID-19 related costs incurred to ensure the safety of FedEx team members and customers.



## What They're Saying

**DexCom (DXCM)** at MSCO Healthcare Conference on lowering pricing to expand TAM and G7 catalyst...The other thing that is a bit more specific to DexCom is the fact that we've been very clear, we're going to step price down over time, both in the U.S. business as well as our international business. And we're doing that with the idea that we're opening up greater access, greater reimbursement. But for that model to work, as price comes down, that's a near-term hit that you take as soon as you flip that switch. If the new patient volumes aren't coming along with it, which, in this case, COVID kind of precluded that from being able to happen, you're going to feel the impact. And I think that's exactly what you saw play out in the second quarter for us was -- and probably a bit more specific to us was just the fact that those new patient volumes, while they slowed, it was a key pillar to part of the strategy. I still think it's the right long-term strategy, no question, but you have a temporal impact in the quarter that you couldn't offset the price headwind without those new patients. And I think we learned very clearly from G6 that with a game-changing technology, like we believe G7 is going to be like G6 was coming off of G5, the demand for the products is going to be incredibly high. And we are going to have the capacity in-house to be able to ensure that we could meet that right out of the gate.

## Open Interest Checks

		<u>OI Checks</u>			
Ticker	Contract	Prior OI	New OI	OI Change	
TSM	January 2022 \$100 Calls	1,612	3,546	119.98%	
TJX	January \$60 Calls	6,433	12,824	99.35%	
DDOG	November \$110 Calls	1,180	2,322	96.78%	
UNFI	October \$17.50 Calls	2,490	4,897	96.67%	
MU	January \$52.50 Calls	10,183	18,429	80.98%	
DD	October \$55 Calls	4,296	7,138	66.15%	
CMCSA	January \$47.50 Calls	9,559	15,369	60.78%	
BA	October \$165 Calls	2,580	3,948	53.02%	
WDAY	December \$210 Calls	2,892	4,039	39.66%	
GS	January \$240 Calls	4,761	6,370	33.80%	
DKNG	October \$50 Calls	6,354	7,921	24.66%	
BYND	October \$150 Calls	2,556	2,878	12.60%	
TSLA	January \$460 Calls	5,248	3,399	-35.23%	
SBUX	April \$87.50 Calls	2,092	845	-59.61%	

## Extras

**Merck (MRK)** late sweep buyers 2500 November \$87.50 calls \$2.25 and **MRK** calls quickly up to 7500X now with buyers paying \$2.50 and then to 16,000X with a big block \$2.48

**Aecom (ACM)** spread sold 2000 December \$35 puts for \$1.85 and bought 2000 of the \$42.5/\$50 call spreads for \$1.85, already a lot of size in December call OI

## *OptionsHawk Market Blitz*

**Carnival (CCL)** with 2000 April \$17.50 puts sold to open \$4.90 into the closing bell

**QIWI (QIWI)** with 3000 October \$15 puts sold to open \$0.40

**Boeing (BA)** December \$165/\$185 call ratio spreads opened 1200X2700.

**AutoZone (AZO)** with 100 January 2022 \$1220 puts sold to open for \$168.50

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## Disclosures

### **Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

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