

**TOP STORIES**

- US, Japan Reach Initial Trade Agreement
- Aramco Pushes Back Timetable on Restoring Output at Abaqiq Facility
- Eurozone, German Economic Sentiment Improves in August
- WeWork Delays IPO as Valuations Plummet

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2996.25 (-5.25)</b>	<b>-4.91</b>
<b>Nasdaq</b>	<b>7858.5 (-21)</b>	<b>-19.91</b>
<b>Dow</b>	<b>27016 (-64)</b>	<b>-63.82</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7331.97</b>	<b>0.14%</b>
<b>DAX</b>	<b>12350.78</b>	<b>-0.24%</b>
<b>Nikkei</b>	<b>22001.32</b>	<b>0.06%</b>
<b>Hang Seng</b>	<b>26790.24</b>	<b>-1.23%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
	<b>FOMC Begins</b>	
<b>8:55</b>	<b>Redbook</b>	
<b>9:15</b>	<b>Industrial Production</b>	<b>0.2%</b>
<b>10:00</b>	<b>Housing Market Index</b>	<b>66</b>

**FOREX**

<b>EUR/USD</b>	<b>1.1022 (0.20%)</b>
<b>USD/JPY</b>	<b>108.15 (0.03%)</b>
<b>USD/CAD</b>	<b>1.3254 (0.14%)</b>
<b>GBP/USD</b>	<b>1.2408 (-0.16%)</b>
<b>USD</b>	<b>98.15 (-0.03%)</b>

**COMMODITY**

<b>Oil</b>	<b>61.82 (-1.72%)</b>
<b>Natural Gas</b>	<b>2.679 (-0.07%)</b>
<b>Gold</b>	<b>1506.2 (-0.35%)</b>
<b>Copper</b>	<b>2.619 (-0.81%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>14.76 (7.42%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.01 (4.85%)</b>
<b>Oil</b>	<b>OVX</b>	<b>48.8 (37.5%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>16.05 (7.36%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning with markets quiet overnight as the FOMC kicks off. Gold and the dollar are modestly lower as focus shifts to whether the Federal Reserve will cut rates for the second straight meeting. CME Watch current probabilities show 65.8% likelihood of a 25 bps cut. This is down from 92.3% last week but still the odds on favorite. Aramco said it could take months for oil production to be fully restored at Abqaiq, longer than thought initially. In the UK, the Supreme Court begins three days of hearings over PM Johnson's decision to suspend parliament. It was pretty quiet on the trade front overnight. The US and Japan reached an initial agreement which should be signed in a couple weeks.

Asian markets closed mixed for the day with China lagging. The Nikkei finished just barely in the green and near a 5-month high. Energy companies continue to lead with the Saudi attacks over the weekend. **Impex** was up near 10% while engineering firm **JGC** rose 5.6%. Airlines and shippers were weak. **Softbank** fell 3% with reports that We is planning to delay its IPO. Chinese housing price growth slowed in August to 8.8% vs 9.7% prior. Singapore exports rose in August by 6.7% M/M, better than the slowdown expected. Hong Kong unemployment remained steady at 2.9%.

European markets are also mixed today with the FTSE modestly higher. Eurozone ZEW economic sentiment improved to -22.4 in September vs -37.4 forecast and -43.6 prior. German ZEW sentiment also improved more than expected. E-commerce retailer **Zalando** fell 10% after a top holder sold shares. **Husqvarna** fell 6.5% after updating their outlook. UK clothing retailer **French Connection** fell 12.5% after delaying a sale process.

**Intercontinental (ICE)** in focus today after a positive note from Oppenheimer starting coverage at Buy, \$100 PT. The firm expects ICE to benefit from the heightened market volatility in its transaction segment as well as the secular data explosion trend in its data services segment.

**S&P TECHNICALS**

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



3683 Advancing	Declining 3627
47.6%	46.9%
133 New High	New Low 38
77.8%	22.2%
4843 Above SMA50	Below 2801
63.4%	36.6%
4783 Above SMA200	Below 2861
62.6%	37.4%

**KEY EVENTS TODAY****Earnings After the Close:** ADBE, CHWY, FDX**Analyst Days:** BL, ZS, RMBS, DHR, BRKS, KN, CACI, MAS, VMC, KLAC, MCFT**Conferences:** American Society for Radiation Oncology, Shoptalk (BJ, HAIN, HSY, K, MDLZ, SJM, TGT, WMT)**Tomorrow...** Housing Starts at 8:30 AM, FOMC Announcement at 2:00, Fed Chair Press Conference at 2:30**Earnings BMO:** GIS**ANALYST ACTION/COMMENTS****Burlington (BURL)** upgraded to Neutral at UBS**Circor (CIR)** upgraded to Overweight at Keybank**Snap (SNAP)** upgraded to Neutral at Susquehanna**Splunk (SPLK)** upgraded to Overweight at JP Morgan**TJX Co (TJX)** upgraded to Neutral at UBS**Novo Nordisk (NVO)** upgraded to Buy at Citi**Conoco (COP)** upgraded to Buy at UBS, \$75 PT**PagSeguro (PAGS)** upgraded to Hold at HSBC**Ameren (AEE)** upgraded to Buy at BAML**Actuant (ATU)** downgraded to Neutral at Keybank**Atlas Air (AAWW)** downgraded to Neutral at Susquehanna**Everquote (EVER)** downgraded to Sell at BAML**Home Depot (HD)** downgraded to Neutral at Guggenheim**Medicines Co (MDCO)** downgraded to Neutral at Citi**Raytheon (RTN)** downgraded to Neutral at Bernstein**Amedisys (AMED)** initiated Buy at Deutsche Bank, \$155 PT**Encompass (EHC)** initiated Hold at Deutsche Bank**LHC Group (LHCG)** initiated Buy at Deutsche Bank**LPL Financial (LPLA)** initiated Buy at Jefferies**Select Medical (SEM)** initiated Buy at Deutsche BankOppenheimer starting **ICE**, **CBOE**, **NDAQ**, and **CME** at Outperform**IAC, Match (MTCH)** initiated Buy at Citi**MEDIA HIGHLIGHTS**Panel set to criticize FAA's approval process for **Boeing (BA)** 737 MAX jets - WSJSuit claims **AT&T (T)** told employees to make fake DirecTV accounts -BloombergAuto workers strike could cost **GM** \$100M daily – WSJ**We Company (WE)** IPO delayed until Oct. at earliest – WSJ**SoftBank** backers consider slashing commitments to Vision Fund - Bloomberg**AB InBev (BUD)** sees raising up to \$4.8B in Asian IPO – FT**Axiata** Seeks Malaysia, Indonesia Mergers After **Telenor** Talks End – BloombergChina Needs to Spend \$2.9 Trillion on New Planes and Services, **Boeing (BA)** Says – BloombergTalent agency **Endeavor** – owner of UFC -- plans to raise up to \$712M in IPO – NY Post**Veoneer (VNE)** wins thermal camera production deal for self-driving car with 'world-leading' carmaker – ReutersUS cattle states seek to rein in substitute meat labeling (**BYND**) – FT**STOCK SPECIFIC NEWS OF NOTE****SeaWorld (SEAS)** CEO Gustavo Antorcha resigns**Aclaris (ACRS)** says Phase 3 trial meets all primary, secondary endpoints**FedEx (FDX)** to increase rates, surcharges in January**Accelaron (XLRN)** announces ACE-083 trial does not meet secondary endpoints**Intrexon (XON)** falls after dismissing accountant, notes 'going concern' language**General Dynamics (GD)**, **Booz Allen (BAH)** and **Parsons** awarded \$427M max Air Force contract**Corning (GLW)** cuts Q3 volume guidance for Display and Optical Communications units3G Capital sells 25.1M shares of **Kraft Heinz (KHC)**; Lemann buys 3.5M shares**Sony (SNE)** rejects activist investor's call to spin off image sensor business**KLA-Tencor (KLAC)** affirms guidance, raises dividend and authorizes \$1B buyback

**PRE-MARKET MOVERS**

**Moving Higher:** NVO 2.5%, IHG 2.5%, SNAP 2.2%

**Moving Lower:** GLW -10%, SHOP -5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** CHD, AMG, SRPT, PBF, CC, OLLI

**Selling:** HRL, FMC, INGR, WIRE, VICR, KO, GNTX, MDC, TYL, FOXF, WYNN, QDEL, PEN

**POTENTIAL SYMPATHY TRADES**

**OPTION HIGHLIGHTS (Prior Day)**

**Floor & Décor (FND)** buyers of more than 1,300 October \$47.50 calls this morning up to \$3.80 and now trading over 2,000X on the day. FND had buyers last week in the December \$42 calls while the January \$52.50 calls with 2800X in open interest from 8-29. Shares are coiled in a bull flag under \$50 and above the rising 20-MA which is just below last week's range. A move higher targets \$55 but longer-term range could see more upside above the 2018 highs. The \$4.94B company trades 35.6X earnings, 2.65X sales, and 85X FCF with expectations for 23.8% and 21% EPS growth the next two years. FND is seeing 18% to 23% sales growth as well with mid-single digit comps. FND was at the GS conference two weeks ago positive on multiple drivers for comps into year-end including lapping Hurricane Harvey which will alleviate some Houston-area headwinds, a number of new stores entering the comp base, and less of an impact from tariffs as price hikes start to pass through. FND is also launching a number of new initiatives including design services which allows them to be involved in all aspects of a home project. Analysts have an average target for shares of \$44. Wedbush with a \$45 PT on 8-8 while Goldman starting at Neutral in July with a \$45 PT and some caution around housing. Citi with a \$51 PT and positive on their "big-box, category-killer model" and the associated runway for double-digit sales and EPS growth. Short interest is 7.9% and down from around 10.6% in June. Hedge Fund ownership fell 0.45% in Q2. Ares Management with 19.4M shares while Samlyn Capital and Raging Capital other notable holders. FND last saw open market stock buys from insiders in March when a director bought shares around \$38.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:** GLW -9.6%, FNKO -8.8%, SHOP -5%, ELAN -3.8%, KHC -2.4%

**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**

**Funko (FNKO)** files to sell 4M class A shares for holders

**Shopify (SHOP)** prices 1.9M share secondary at \$317.50

# 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

### Unusual Call Activity

Lloyds (LYG)  
Toll Brothers (TOL)  
Univar (UNVR)  
PRA Health (PRAH)  
ADT  
Novavax (NVAX)

### Unusual Put Activity

Univar (UNVR)  
True Car (TUE)  
Cerus (CERS)  
Ensco (VAL)  
EOG Resources (EOG)  
Immersion (IMMR)

### Implied Volatility Riser

Aimmune (AIMT)  
Whiting (WLL)  
Bloom Energy (BE)  
W&T Offshore (WTI)  
Viking (VKTX)  
Cali Resources (CRC)

### Lowest Put/Call Ratio

Edgewell (EPC)  
Sprouts (SFM)  
Sumantec (SYMC)  
Gray Television (GTN)  
MGM Growth (MGP)  
Welbilt (WBT)

### Highest Put/Call Ratio

Affiliated Managers (AMG)  
Freshpet (FRPT)  
Change Health (CHNG)  
Intra-Cellular (ITCI)  
Evolent (EVH)  
Skyline (SKY)

### Implied Volatility Decliner

Alder Bio (ALDR)  
Opko (OPK)  
Hecla Mining (HL)  
YPF SA (YPF)  
Genworth (GNW)  
Joint Corp (JYNT)

### OTM Calls on Offer

Viking (VKTX)  
Cimarex (XEC)  
Callon Petroleum (CPE)  
Cronos (CRON)  
Petrobras (PBR)

### OTM Puts on Offer

Cerus (CERS)  
Patterson (PETN)  
US Steel (X)  
Cisco (CSCO)  
Advanced Micro (AMD)

### Elevated IV30

Gossamer (GOSS)  
Overstock (OSTK)  
PG&E (PCG)  
Solid Bio (SLDB)  
Lannett (LCI)

### Positive Net Delta

Caesars (CZR)  
Toll Brothers (TOL)  
Snap (SNAP)  
Halliburton (HAL)  
Whiting (WLL)

### Negative Net Delta

Encana (ECA)  
AT&T (T)  
American Air (AAL)  
Western Union (WU)  
Overstock (OSTK)

### Option Volume Gainers (%)

Ensco (VAL)  
EOG Resources (EOG)  
Immersion (IMMR)  
PRA Health (PRAH)  
ADT

### Bullish Call Flow

BP  
Hess (HES)  
Int'l Game Tech (IGT)  
American Air (AAL)  
Symantec (SYM)

### Bearish Put Flow

Barrick (GOLD)  
AMC (AMC)  
Zumiez (ZUMZ)  
NetApp (NTAP)  
GM

### Large Spread Trades

TLT, 6,500 October \$137/\$130 put spreads  
V, March \$195/\$205 call spreads opening 1700X  
AXSM, December \$22.50/\$12.50 put spread 425X850  
GWPH, 2,000 October \$150/\$170 bear call spreads  
GD, 500 February \$210/\$220 call spreads

## Stock Specific News

**Cheniere (LNG)** signs gas deals linked to spot LNG with U.S. shale producer – Reuters

U.S. value fund managers betting shift to value stocks won't last – Reuters

Self-driving truck startup **TuSimple** raises additional \$120M – Reuters

**HSBC's** Geopolitical Balancing Act – WSJ

**Prudential (PRU)** Pays \$32.6 Million to Settle Probe of Mutual-Fund Business – WSJ

EU regulators approve **E.ON's** proposed acquisition of **Innogy's** network and retail assets – Reuters

**Softbank** leads \$110M financing round for Brazilian online home goods store **Madeira** – Reuters

**Datadog (DDOG)** raises IPO range to \$24-\$26 from \$19-\$22

**Expedia (EXPE)** to become exclusive global distributor of **Marriott's (MAR)** wholesale rates

**Apogee (APOG)** beats on top and bottom line, affirms FY20 outlook

**Merck (MRK)** FDA accepts BLA, grants priority review for investigational Ebola vaccine

**Alliance Data (ADS)** signs agreement to provide credit card services for **Sally Beauty (SBH)**

## Extras

**TransUnion (TRU)** late buyer of 2000 September \$80 calls up to \$1.10, been posting strong numbers

**ProofPoint (PFPT)** with 340 October \$120 calls opening ITM late \$10.40 to \$10.60

**Dell (DELL)** afternoon trade opened 980 April \$65/\$50 bull risk reversals at a net credit

**General Dynamics (GD)** with 6000 February \$210/\$220 call spreads opening yesterday and also seeing 2,000 February \$200 calls bought up to \$6. GD has also seeing some November \$190 and \$200 calls accumulate. Shares are coiled in a bull flag below the April highs after breaking a longer-term downtrend and basing above the 2016 breakout level since last Fall. A move higher has a measured target to \$220. The \$54.7B company trades 14.52X earnings, 1.43X sales, and 78X cash with a 2.15% yield. They expect double-digit EPS growth and low-single digit revenue growth. GD has benefitted from boosts the defense budget, especially as the Navy recapitalizes and the Army also recapitalizes for the first time in several years. Their jet business is undergoing a shift with the new 500 and 600 models moving into production and a replacement cycle beginning. Margins were under some pressure with the first run of 500s earlier this year but the latter model should drive higher margins due to less costs of the test program. Analysts have an average target for shares of \$193. Baird with a \$218 PT and Goldman upgrading to Buy earlier this year citing higher Gulfstream margins, the G500/600 ramp, and improving



free cash flow can act as catalysts to reverse sentiment. BAML with a \$220 PT in late July. The firm is positive on demand for Gulfstream jets while favorable program exposure in Defense, particularly in Combat and Marine should drive long-term growth. They are also positive on the balance sheet and cash generation which can sustain dividend growth and buybacks. Short interest is 1%. Hedge Fund ownership rose 17.5%. Farallon Capital, Adage Capital, and Impala Asset Management notable holders. In December, a director bought \$100K in stock at \$167.64 while a different director bought \$500K in stock at \$169.87.

### Insider Focus

**Church & Dwight (CHD)** with a sizable open market buy from the President/CEO Matthew Farrell of 7,000 shares yesterday at \$71.32, a \$500k buy. Farrell took over as Chairman in 2019 and CEO in 2016. Shares have traded higher by 12.3% in 2019, trailing the broader market by 700 bps and Staples (XLP) by 750 bps. Shares are back at the 200-MA and basing the last 4-5 sessions. The \$17.95B company trades 26.6X earnings, 4.2X sales, and 35X FCF with a 1.26% yield. CHD sees 8.7% and 7.8% EPS growth the next two years and mid-single digit revenue growth from their power brands like Arm & Hammer, Trojan, Nair, OxiClean, and Orajel. CHD is balanced between household products (45%) and personal care (48%) with their mix moving more towards premium products. International and e-commerce have been two notable areas of focus with the former up 8.8% in the 1H and the latter continuing to gain share. The company has been aggressive with deal-making over the last fifteen years targeting higher-margin, higher-growth companies which can leverage CHD's widespread manufacturing and logistics platforms (this includes 11 of the 12 power brands). Spruce Point out on 9-5 with a Strong Sell rating seeing 35-50% downside. They believe CHD's strategy has pivoted towards extreme financial engineering, aggressive accounting, and managerial self-enrichment practices. The firm believes that the core business is deteriorating and the recent deals are failing and made at desperation valuations. Analysts have an average target for shares of \$71. Jefferies defending on 9-13 and remains optimistic and "extremely comfortable" with its recent acquisitions. Sun Trust with an \$85 PT. The firm is confident the pricing adjustment to offset the rise in freight and input costs is "sticking" and will continue to hold for the foreseeable future. They are also seeing a higher premiumization in the company's sales mix coming from the higher price innovation in cat litter and liquid laundry detergent products. Short interest is 2.5% and down from 7.5% in July 2018. Hedge fund ownership fell 11% in Q2. AMI Asset Management, Atlanta Capital, and AQR notable holders.