

TOP STORIES

- Global Markets Calm Ahead of Fed; Odds Favor 25 Bps Cut
- Fed Acts to Calm Money Markets
- Japan Exports Fall for Ninth Straight Month
- Fed-Ex Shares Fall After Lowering 2020 Guidance

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3004.25 (-3.75)	-4.10
Nasdaq	7904.5 (-10)	-9.29
Dow	27085 (-25)	-23.8

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7324.15	0.05%
DAX	12387.1	0.12%
Nikkei	21960.71	-0.18%
Hang Seng	26754.12	-0.12%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Housing Starts	1.251M
10:30	EIA Petroleum	
2:00	FOMC Announcement	
2:30	Fed Press Conf.	

FOREX

EUR/USD	1.1041 (-0.27%)
USD/JPY	108.19 (0.05%)
USD/CAD	1.3265 (0.18%)
GBP/USD	1.2455 (-0.36%)
USD	98.03 (0.22%)

COMMODITY

Oil	58.95 (-0.66%)
Natural Gas	2.684 (0.60%)
Gold	1508.9 (-0.30%)
Copper	2.6115 (-0.59%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.44 (-1.57%)
Nasdaq	VXN	18.56 (-2.52%)
Oil	OVX	44.71 (-7.97%)
Gold	GVZ	15.90 (-1.06%)

MARKET OUTLOOK

Futures are indicating a slightly lower open for the morning with all eyes on the Fed decision later today. CME Fed Watch has turned again this morning and now sees a 54.2% probability of a rate cut. Yesterday, odds dipped below 50% and down from over 90% last week. Economists expect Jerome Powell is unlikely to guide to more than one future rate cut in his comments afterwards. The dollar is slightly higher in early trading with the 10-year yield down to 1.769%. The Fed prepped a second \$75B round of cash to help calm money markets today. Sec of State Pompeo will meet with Saudi Crown Prince MbS today to discuss 'Iranian aggression' and the recent attacks as potential for conflict continues.

Asian markets were modestly lower this morning with the Nikkei snapping a 10-day winning streak. Volumes were light with many focusing on the Fed later today and the BOJ tomorrow. Expectations are for the BOJ to keep its policy on hold however a rising number of those polled by Reuters recently see potential for surprise easing. Japanese imports fell 12% in August, worse than the 11% expected drop. Exports fell 8.2% but better than the 10.9% drop feared. Energy names gave back some gains today with **Inpex** down 4%. **Sony** fell 2.2% after rejecting Third Point's push for a business sale.

European markets are slightly higher in the early trading but still in a narrow range the last three sessions. Eurozone CPI remained steady at 1% while core CPI was at 0.9%, as expected. Construction output fell modestly in July. UK CPI fell to 1.7% in August, lower than the 1.8% forecast and down from 2.1%. German auto registrations fell 5.7% in July, down from a 2.3% drop in June. Apple suppliers like **AMS**, **ST Micro (STM)**, and **Infineon** higher this morning after reports of strong early iPhone 11 orders. Luxury goods maker **Richemont** fell 4% after UBS downgraded the sector. **Deutsche Post** fell 2% after Fed-Ex earnings.

S&P TECHNICALS

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



3605 Advancing	Declining 3688
46.6%	47.7%
137 New High	New Low 39
77.8%	22.2%
4912 Above SMA50	Below 2732
64.3%	35.7%
4713 Above SMA200	Below 2931
61.7%	38.3%

KEY EVENTS TODAY

Earnings After the Close: MLHR

Analyst Days: PPC, ANIK, TDY

Conferences: American Society for Radiation Oncology, Shoptalk

Tomorrow... Jobless Claims at 8:30 AM, Philadelphia Fed at 8:30, Existing Home Sales at 10:00.

Earnings BMO: DRI

ANALYST ACTION/COMMENTS

CACI upgraded to Conviction Buy at Goldman Sachs

Zimmer Biomet (ZBH) upgraded to Buy at Canaccord

Square (SQ) upgraded to Hold at Craig Hallum

Whirlpool (WHR) downgraded to Neutral at Keybank

Lennar (LEN) downgraded to Neutral at Keybank

Stanley Works (SWK) downgraded to Neutral at Keybank

NeoPhotonics (NPTN) downgraded to Neutral at B Riley

TerraForm (TERP) downgraded to Neutral at JP Morgan

Fed-Ex (FDX) downgraded to Neutral at Keybank, BMO

AT&T (T) downgraded to Hold at DZ Bank

Papa Johns (PZZA) initiated Neutral at Oppenheimer

Canopy Growth (CGC) initiated Neutral at Oppenheimer

Tellurian (TELL) initiated Outperform at Evercore

Abercrombie (ANF) initiated Neutral at DA Davidson

American Eagle (AEO) initiated Buy at DA Davidson

Axsome (AXSM) initiated Outperform at William Blair

Zynga (ZNGA) initiated Neutral at JP Morgan

Activision (ATVI) PT raised to \$62 from \$55 at Piper

Walmart (WMT) PT raised to \$135 from \$129 at Citi

Vulcan Materials (VMC) PT raised to \$165 at Stifel

JPMorgan's Tusa disagrees with narrative of better progress at GE Power

MEDIA HIGHLIGHTS

Amazon (AMZN) partners push back against IMDb TV ad plans, Digiday

Nissan plans sale of Trading unit in \$1B deal, Bloomberg

Exxon Mobil (XOM) looks to sell stake in Australian Bass Strait assets, Reuters

Google (GOOGL) lagging in smartwatch space, BI

Snapchat (SNAP) in discussions with media companies to power news section. The Information

Brazil aims to announce criminal charges related to **Vale (VALE)** dam collapse. WSJ

Smart TVs have been leaking personal data to **Netflix (NFLX)** and **Facebook (FB)**. FT

Apple (AAPL) iPhone 11 pre orders have been stronger than expected in Taiwan. Digitimes

New York State votes to ban flavored e-cigarettes (**MO**). CNN

Senators want regulators to look into mergers in the pharma space (**ABBV, CELG, XLV, IBB**). Reuters

The Music Business Wants to Blow Up Copyright—and the Trump Administration Is On Board (**SPOT**) – Bloomberg

Swine flu spreads in South Korea (**TSN, SAFM**) - Bloomberg

STOCK SPECIFIC NEWS OF NOTE

Versum Materials (VSM) gets CFIUS clearance of Merck KGaA merger

Facebook's (FB) Zuckerberg says Oversight Board a way to address 'harmful content'

NewLink Genetics (NLNK) says FDA accepts partnered BLA for ebola vaccine

CDW to replace TSYS in S&P 500

AMC Entertainment (AMC) corrects 'inaccurate' statement by National CineMedia

Capital One (COF), Walmart (WMT) introduce Capital One Walmart Rewards Credit Card Program

Ironwood (IRWD), AstraZeneca (AZN) amend LINZESS collaboration in China

Southwest (LUV) continues to see Q3 RASM up 3%-5%; cuts Q3 CASM view to up 8%-10% vs. previous 9%-11% view

Zynerba (ZYNE) reports Phase 2 results of Zygel in encephalopathies

PRE-MARKET MOVERS

Moving Higher: CDW 6.3%

Moving Lower: FDX -10.8%, ADBE -2.9%

INSIDER TRADING (Form 4 Filings)

Buying: CHD, KHC, MXL, GWRE, KMPR, TSS

Selling: ORCL, YUM, LEG, RMD, TDY, KR, SHOO

POTENTIAL SYMPATHY TRADES

UPS, ATSG – lower on FDX outlook

HAIN, SJM, MDLZ, THS, CAG, POST, K – on GIS earnings

OPTION HIGHLIGHTS (Prior Day)

Sun Power (SPWR) buyers of 1,000 March \$13 calls early and now over 3,300 trading on the day up to \$2.85. SPWR is also seeing 1000 October \$12 calls bought up to \$2.45. SPWR has seen buyers in the January calls recently as well. Shares have been trending well in 2019 and today's strong candle is working out of a downtrend from the earnings gap with room back to \$16 and then a measured move out to \$20. Longer-term, shares are moving out of a 16-month bottoming pattern above \$11.50 with MACD turning bullish and RSI improving with plenty of room to run. The \$1.8B company trades 68X earnings, 1.08X sales, and 10.8X cash with expectations for 115% EPS growth and mid-teens revenue growth the next two years. SPWR sees significant opportunity as they continue to ramp their Maxeon 5 A-Series panels which are more efficient to install and produce than average and position them well across multiple markets. SPWR sees 10-20% annual growth in NA residential while commercial is seen growing 30% over time with a \$3B pipeline growing. There's also upside from cross-sell opportunities into services. Analysts have an average target for shares of \$7.80 with 2 buy ratings, 3 hold, and 4 sell. Credit Suisse upgrading to Outperform on 8-1 with a 'Blue Sky' target of \$20 supported by strong DG demand internationally and the US. The firm sees multiple expansion upside from strategic NGT expansion, upsell opportunities, and higher storage penetration. Short interest is 13.5% but down from around 16.5% in February. Hedge fund ownership rose 130% in Q2. Total (TOT) is a sizable investor with 104M shares.

AFTER HOURS MOVERS

Gainers: ADBE 2.5%

Losers: FDX -7.9%, ACAD -3.5%, ALXN -2.5%, UPS -2%

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

Acadia (ACAD) 6.25M secondary priced \$40

PTC Therapeutics (PTCT) commences offering of \$250M in senior notes

Invitation Homes (INVH) 44M secondary prices \$28.25

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
Stock	21X	2.6X	4.1X	12.8X	22.1X
Industry Avg.	22.6X	1.2X	2.1X	16.5X	44.8X

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

Unusual Put Activity

Implied Volatility Riser

Qiagen (QGEN)

Alder Bio (ALDR)

Bloom Energy (BE)

MGM Resorts (MGM)

CalAmp (CAMP)

Denbury (DNR)

Cracker Barrel (CBRL)

Cal-maine (CALM)

Cliff's (CLF)

Methanex (MEOH)

Steel Dynamics (STLD)

Blue Apron (APRN)

Sony (SNE)

Western Union (WU)

Nordstrom (JWN)

Int'l Game (IGT)

Jetblue (JBLU)

Dean Foods (DF)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Constellium (CSTM)

Immersion (IMMR)

Overstock (OSTK)

OpKo (OPK)

G1 Therapeutics (GTHX)

CalAmp (CAMP)

Magnolia Oil (MGY)

Western Union (WU)

Cracker Barrel (CBRL)

Altice (ATUS)

Zions (ZION)

Whiting (WLL)

Conduent (CNDT)

CalAmp (CAMP)

Mallinckrodt (MNK)

Owens Corning (OC)

Alder Bio (ALDR)

Chicos (CHS)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Hologic (HOLX)

Keycorp (KEY)

Gossamer (GOSS)

ArQule (ARQL)

World Wrestling (WWE)

Overstock (OSTK)

Marvell (MRVL)

Liberty (LBTYK)

PG&E (PCG)

Bank of America (BAC)

Gamestop (GME)

Solid Bio (SLDB)

Oracle (ORCL)

Alder (ALDR)

Lannett (LCI)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Bank of America (BAC)

Wells Fargo (WFC)

Steel Dynamics (STLD)

Zynga (ZNGA)

Apple (AAPL)

Western Union (WU)

Citi (C)

Bristol Myers (BMY)

Jetblue (JBLU)

MGM Resorts (MGM)

Invesco (IVZ)

Sony (SNE)

Taiwan Semi (TSM)

Paysign (PAYS)

Int'l Game (IGT)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Shopify (SHOP)

Int'l Paper (IP)

IWM, 6800 November \$155/\$147 put spreads bought

MGM Resorts (MGM)

Cabot (COG)

SBGI, January \$45/\$35 put spread 500X1000

Zuora (ZUO)

First Solar (FSLR)

CRC, November \$13/\$9 put spread 5,000X10,000

Athene (ATH)

Continental (CLR)

FICO, 700 October \$340/\$370 call spreads

Dish Network (DISH)

Century Link (CTL)

ARQL, 5,000 January \$10/\$15 call spreads

Stock Specific News

European Car Sales Plunge, Deepening Industry Woes – Bloomberg

Ex-Overstock (OSTK) CEO planned crypto dividend to thwart short sellers – NY Post

Huawei ups cloud computing push in challenge to Amazon (AMZN) and Alibaba (BABA) – Nikkei

Britain to investigate \$5B U.S. takeover of defense firm Cobham – Reuters

Corning's (GLW) latest warning cracks the stock but it still has potential – WSJ

Steel Dynamics (STLD) lowers Q3 outlook

Plug Power (PLUG) announces five-year plan targeting \$1B of revenue by 2024

Extras

Russell (IWM) stock replacement late opens 6500 December \$162 calls \$3.49

Stanley (SWK) late day buy of 1000 Oct. 4th (W) \$147 calls for \$2.20

Trade Desk (TTD) also seeing late day buyers of 445 November \$250 calls for \$8.60 to \$8.80

Boeing (BA) block of 1000 June 2020 \$350 puts opened \$22.75

Edward Lifesciences (EW) IV dropped sharply into the close with over 1000 October \$220 calls sold to open down to \$6

PBF Energy (PBF) buyer of 1000 January \$28/\$35 call spreads for \$1.05

Cognizant Tech (CTSH) strong close with 700 January \$62.5 calls bought \$4.30 to \$4.40

Ross Stores (ROST) late buys of 430 November \$110 puts to open up to \$4.70 offer

World Wrestling (WWE) with buyers active yesterday for more than 3,000 October \$80 calls up to \$2.25 in the afternoon. WWE has over 5,500 October \$75 calls in OI from buyers back in July while the January \$75 and \$85 calls both with notable OI from buyers. Shares are nearing a multi-week range breakout above \$77.50 with a gap back to \$81.50 which was the breakdown level in May. Longer-term, WWE shares consolidating in a wide range under \$100 after a parabolic run in 2018 from \$22.50. The \$5.95B company trades 24.58X earnings, 6.5X sales, and 20X cash with a small yield. WWE expects to earn over \$3.35/share by FY21, up from \$1 now, while revenue estimates are for 28.5% growth. WWE is coming off a strong quarter and locking in distribution deals in the UK, Latin America, and China as their international push expands. The company continues to see a significant opportunity outside the US with 70% of consumption coming from outside the US while only 25% to 30% of revenue. WWE is also set to debut on Fox in October with a reach of more than 120M homes, 33% higher than the USA Network. They also expect to be promoted along-side Thursday Night Football which will help boost their profile. Analysts have an average target for shares of \$100 with 11 buy ratings and 2 hold. Evercore starting at Outperform on 9-4 with a \$90 PT seeing the company on the brink of 'unprecedented growth.' The firm

notes that wrestling is perfectly suited for a new age of media and more than 50% of revenues are now contractual with several growth opportunities are not yet priced into the stock. They also note the appeal of, "wholly owned content with global appeal which can be effectively distributed (and monetized) across multiple media channels." MKM positive on 8-19. The firm notes that multiple wrestling-focused websites have speculated that WWE has received offers from both USA Network and Fox Sports 1 to purchase TV rights for a weekly program based on its NXT brand, which currently only airs a show on WWE network. Short interest is 11.7%. Hedge fund ownership rose 15.75% in Q2. The McMahon Family still owns a significant stake of the public float despite selling 3.2M shares. Lone Point Capital a buyer of 2.5M shares.

Biotech Event Focus

Biomarin (BMRN) will host its annual R&D day on 11/14 in New York where the company expects not only update vosoritide for achondroplasia but a long-term outline of their growth drivers and next-generation products. Vosoritide has Phase 3 clinical data due at the end of the year but the company will reportedly give "design considerations" as well as discuss the clinical impact on patients, according to R&D head Henry Fuchs as the MSCO Healthcare conference last week. They will also have an outside speaker to discuss the condition and BMRN's potential in the space. Achondroplasia is the most common form of human dwarfism which is caused by a genetic mutation that impacts bone growth. It can lead to health issues like bowed legs, spinal stenosis, and obesity among others. Vosoritide is expected to be the next 'blockbuster' for the company. Other areas where they expect to dig into at the event include an update on valrox, their gene therapy for hemophilia A which they plan to submit to regulators in both the US and Europe in Q4 with approval expected in mid-2020. A June update with 3-year data showed significant improvement for patients after one dose not to need continuing infusions. Fuchs said in June that they hoped to get out in front of competitors like Spark Therapeutics (ONCE), Sangamo (SGMO), and Pfizer (PFE) because it would likely make approval of rival drugs more difficult and dependent on a stronger data set. BMRN expects strong uptake from patients after approval and 40% of the market shares in the severe population within 5 years. The global hemophilia A market in 2018 was \$8.7B with nearly half considered severe. Finally, BMRN expects to disclose a number of new INDs for their next-generation wave of products. BMRN has seven approved products now which generates ~\$2B in revenue by 2020. The \$13.49B company trades 250X earnings, 8.8X sales, and 18.5X cash. Shares are down 12% for the year and down from around \$105 in October/November. They expect to return \$2.65/share in EPS in FY21, up from \$0.84 this year, with revenues up 15% as near-term launches expand. Short interest is 4.7% and down from 7.2% a year ago. Institutional ownership rose 4% in Q2. PrimeCap, Sands Capital, Viking Global, Palo Alto Investors, and Baker Bros all notable holders. Analysts have an average target for shares of \$115. Piper a buyer of shares into year-end data. Assuming no surprises, the firm thinks vosoritide offers a "compelling" commercial premise, with meaningful upside to current expectations with little in the way of meaningful competition on the horizon. Wedbush a buyer on 7-10 as Valrox has a "clear development lead over" its competition, which may increase the commercial opportunity. The analyst projects annual sales could reach over \$2B in 2023 after her U.S. estimated launch in year-end 2020. Options flow recently has been bullish with buyers in the January \$75/\$90 call spread on 9-17 and selling the \$70 puts in bull risk reversals. This spread also opened 1,000X on 9-13. The January \$70/\$80 call spread also bought 900X on 9-12.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ADBE	Adobe Systems	\$2.05	\$1.97	\$2,834.00	\$2,818.55	23.70%	
CHWY	Chewy	-\$0.21	-\$0.10	\$1,153.54	\$1,133.92	43.10%	FY Above
FDX	FedEx	\$3.05	\$3.16	\$17,048.00	\$17,048.90	0.00%	FY Below
GIS	General Mills	\$0.79	\$0.77	\$4,002.5	\$4,084.24	-2.2%	

FDX – Missed on EPS and Revenues - "Our performance continues to be negatively impacted by a weakening global macro environment driven by increasing trade tensions and policy uncertainty," said Frederick W. Smith, FedEx Corp. chairman and chief executive officer. "Despite these challenges, we are positioning FedEx to leverage future growth opportunities as we continue the integration of TNT Express, enhance FedEx Ground residential delivery capabilities and modernize the FedEx Express air fleet and hub operations." Operating results declined primarily due to weakening global economic conditions, increased costs to expand service offerings and continued mix shift to lower-yielding services. FedEx is lowering its fiscal 2020 earnings forecast as the company's revenue outlook has been reduced due to increased trade tensions and additional weakening of global economic conditions since the company's initial fiscal 2020 forecast in June. The company's revised outlook also reflects increased FedEx Ground costs and August's loss of FedEx Ground business from a large customer. In addition, the FedEx ETR is now expected to be 24% to 26% before the year-end MTM retirement plan accounting adjustment, due to lower-than-expected earnings in certain non-U.S. jurisdictions. "FedEx is implementing additional cost-reduction initiatives to mitigate the effects of macroeconomic uncertainty, including post-peak reductions to the global FedEx Express air network to better match capacity with demand," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "However, we are continuing to make strategic investments to improve our capabilities and efficiency, which we expect will drive long-term increases in earnings, margins, cash flows and returns."

ADBE – Beat on EPS and Revenues - "While we had strong overall revenue in Q3, our subscription bookings growth for Marketo in the midmarket did not meet our expectations - which is being addressed by increasing our focus and investment on demand generation and inside sales. In addition, there were Analytics Cloud subscription bookings delays with related shortfalls in consulting services bookings and revenue associated with the launch of our new Adobe Experience Platform. We are confident the enhanced innovation in Analytics Cloud, the introduction of our Real-Time CDP product, and the ongoing global roll-out of the Adobe Experience Platform will convert strong customer demand and the current pipeline into bookings starting in Q4. We now expect to grow our total Digital Experience subscription bookings in fiscal 2019 by greater than 20 percent year-over-year."