

TOP STORIES

- Global Markets Mixed Amid Deluge of Central Bank Decisions
- BOJ Holds Rates, Will Review CPI, Economy
- BOE Keeps Rates Unchanged, Warns on Brexit Uncertainty
- SNB Keeps Rates Unchanged, As Expected
- Norwegian Central Bank Raises Rates in Surprise Move
- Trump 'Not Thrilled' with Powell But Chairman's Job is Safe

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3001.25 (-7.25)	-8.28
Nasdaq	7885 (-33)	-28.56
Dow	27078 (-65)	-68.08

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7351.9	0.52%
DAX	12399.79	0.08%
Nikkei	22044.45	0.38%
Hang Seng	26468.95	-1.07%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Weekly Claims	215K
8:30	Philadelphia Fed	11.0
10:00	Existing Home Sales	5.38M
10:30	EIA Nat Gas	

FOREX

EUR/USD	1.1061 (0.29%)
USD/JPY	107.96 (-0.44%)
USD/CAD	1.3281 (-0.02%)
GBP/USD	1.2442 (-0.21%)
USD	97.9 (-0.24%)

COMMODITY

Oil	59.07 (1.65%)
Natural Gas	2.629 (-0.30%)
Gold	1505.8 (-0.66%)
Copper	2.606 (-0.27%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.14 (-2.08%)
Nasdaq	VXN	18.29 (-1.56%)
Oil	OVX	40.40 (-10.0%)
Gold	GVZ	15.31 (-3.77%)

MARKET OUTLOOK

Futures are indicating a slightly lower open for the morning after the Fed's decision to cut rates. There was a split among members regarding where rates should go for the rest of 2019 which is driving a spread between the 2- and 10-year yields this morning back near inversion. The odds of a cut this year are around 65%. We had four more central bank decisions overnight including the BOJ which boosted speculation that they'll ease further in October. Norway the only country which surprised with a hike, their fourth of the year. The OECD was out overnight lowering estimates for global growth to 2.9% from 3.2%, the slowest pace in a decade. They also think a 'no deal Brexit' would push the UK into recession. The Fed will inject cash into the money market for the third straight day offering \$75B today to prevent rates spiking. The President was on Fox this morning and again pushed for more easing as the US lags behind the rest of the world. He said that Powell's job is safe, however.

Asian markets are mixed overnight with China slightly weak and the Nikkei edging higher. The latter is nearing new highs for the year. Markets faded after the BOJ decision where they kept rates unchanged, disappointing to some who were looking for more easing. High-yielding utilities like **Kansai Electric** and **Chubu** were higher by 2.5% after the US rate cut. It was a quiet night for data. New Zealand GDP improved in Q2 to 2.1% from 2% forecast. Australian unemployment improved as well.

European markets are in the green in early trading today with the FTSE strong. Financials are leading. **Swatch** and **Richemont** both higher by 1% early after strong watch export data. Clothing retailer **Next** down 4.3% after a weak update on Fall sales. Steel stocks like **Arcelor Mittal**, **Salzgitter**, and **Thyssenkrupp** fell after US Steel's warning. Finnish engineering company **Wartsila** fell 4% after a profit warning. UK retail sales fell slightly to 2.7% from 3.4% and missing the estimates for 2.9%.

S&P TECHNICALS

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



2885 Advancing	Declining 4421
37.3%	57.2%
152 New High	New Low 44
77.6%	22.4%
4877 Above SMA50	Below 2767
63.8%	36.2%
4648 Above SMA200	Below 2996
60.8%	39.2%

KEY EVENTS TODAY**Earnings After the Close:** SCHL, SCS**Analyst Days:** POOL, STX**Conferences:** CL King Best Ideas (BDC, CAL, CONN, DENN, ENTG, GCO, GIII, HEI, LCII, LE, MIDD, MPAA, MTX, OXM, PATK, PVH, SNA, VRA, VSTO, WGO, WWD)**Tomorrow...** Quad Witching, John Williams Speaks at 8:15 AM, Eric Rosengren Speaks at 11:20**ANALYST ACTION/COMMENTS****Ligand (LGND)** upgraded to Overweight at Barclays**Hyatt (H)** upgraded to Buy at Goldman**Twilio (TWLO)** upgraded to Overweight at MSCO**Cousins Property (CZZ)** upgraded to Outperform at Wells**Costco (COST)** downgraded to Sell at Bernstein**Akamai (AKAM)** downgraded to Neutral at Keybank**Hilton Grand (HGV)** downgraded to Neutral at Goldman**CME Group (CME)** downgraded to Neutral at Berenberg**Digital Realty (DLR), SBA Comms (SBAC)** downgraded to Neutral at MSCO**Bandwidth (BAND)** downgraded to Sell at MSCO**Five-9 (FIVN)** downgraded to Neutral at MSCO**US Steel (X)** downgraded to Sell at Macquarie**Check Point (CHKP)** downgraded to Sell at BAML**Denny's (DENN)** initiated Outperform at Oppenheimer;
Wingstop (WING) started Neutral**Beyond Meat (BYND)** initiated Overweight at Barclays**PRA Health (PRAH)** initiated Buy at Goldman**Afya (AFYA)** initiated Buy at UBS**Poly (PLT)** initiated Overweight at MSCO**Viper Energy (VNOM)** initiated Buy at JP Morgan**Vulcan Materials (VMC)** price target raised to \$182 from \$165 at NomuraPiper positive on **VF Corp (VFC)** into their analyst day next week, \$108 PT**MEDIA HIGHLIGHTS****Cisco (CSCO)** approached **DataDog (DDOG)** with \$7B+ takeover bid – Bloomberg**AT&T (T)** exploring options to part with DirecTV unit including spin or sale to **Dish Network (DISH)** – WSJFDA panel recommends approval of **Glaxo's (GSK)** nicotine oral spray - Reuters**United Technologies' (UTX)** CTO Paul Eremenko steps down - ReutersIger: **Disney (DIS)** may have combined with **Apple (AAPL)** if Jobs were alive – Vanity Fair**Oi** in talks to sell mobile unit to **Telecom Italia, Telefonica (TEF)** - Reuters**Tencent** aims to invest \$150M in VIPKid – WSJ**Deutsche Bank (DB)** considering adding assets to its bad bank – Reuters**General Motors (GM)** Mary Barra Bets Big on an Electric, Self-Driving Future – Bloomberg**Tiffany (TIF)** to Open More Stores in China – Bloomberg**LSE CEO Schwimmer** says feels "very good" about **Refinitiv** deal – Reuters**Diageo (DEO)** sets FY outlook, says not immune to trade changes – Reuters**Sandals Resorts** Explores \$4.5 Billion Sale in Booming All-Inclusive Market – Skift**Blackstone (BX)** Looks at Buying Water-Park Operator **Great Wolf** for \$2.9B – Reuters**STOCK SPECIFIC NEWS OF NOTE****China Biologic (CBPO)** receives preliminary "going private" proposal for \$120 per share**Microsoft (MSFT)** announces new \$40B share repurchase program, 11% dividend hike**Tandem Diabetes (TNDM)** says published results of t:slim X2 pump show reduced events**US Steel (X)** lowers Q3 guidance**RH (RH)** raises FY EPS guidance after debt offering**NCR Corp (NCR)** affirms FY outlook**Target (TGT)** announces new \$5B share buyback

PRE-MARKET MOVERS

Moving Higher: TWLO 2.9%, BYND 2.8%

Moving Lower: X -10.5%

INSIDER TRADING (Form 4 Filings)

Buying: CADE, PBF, STAR, LXX, D, CHD

Selling: SEDG, AJRD, MRCY, HRL, QURE, CIEN, SLAB, CACI, MRVL, FOXF, PI

POTENTIAL SYMPATHY TRADES

STLD, NUE, AKS, MT – on X warning

OPTION HIGHLIGHTS (Prior Day)

Live Nation (LYV) stock replacement buys 3,500 April \$70 calls for \$5.70. LYV has seen some smaller buys in the October \$65 and \$70 calls as well as the January \$65 calls which remain in OI. Shares have been on a strong run since early 2017, up from around \$30, and consolidating in a multi-month range recently under \$72.50. Shares are near the June breakout level today with the rising 200-MA down near \$62.50 ideal support. The \$15B company trades 115X earnings, 1.32X sales, and 34X FCF. LYV expects to earn nearly \$1/share in EPS by FY21, up from \$0.35, with revenues up 8-9%. LYV has benefitted from a secular shift in the music industry towards live performances and experiences over physical holdings while millennial spending power accelerates. LYV has been active with M&A as they look to gain market share, especially Internationally, and recently added OCESA in Mexico which is a top global promoter. LYV has faced concerns over online ticket markets with two Senators calling for an investigation in late August. Analysts have an average target for shares of \$68.75 with 6 buy ratings. Citi downgraded to Sell in June with a \$63 PT seeing valuation stretched. Berenberg with a Buy rating and \$73 PT citing the company's leading position in a growing industry with significant barriers to entry. They also expect LYV to benefit from favorable industry demand dynamics. Short interest is 4.9% and down from around 7.8% in January 2018. Hedge Fund ownership fell 6.2% in Q2. Liberty is a minority holder with 69M shares while Findlay Park, Victor Capital, and Select Equity notable holders.

AFTER HOURS MOVERS

Gainers: MLHR 10%

Losers: OSTK -8%, X -7.7%

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

NCR prices 9.13M share secondary at \$32.75

Plains (PAGP) prices 15M secondary at \$22.05

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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Callaway (ELY)	Carters (CRI)	McDermott (MDR)
NanoString (NSTG)	Barclays (BCS)	Riot Blockchain (RIOT)
CDW	CDW	Clovis (CLVS)
Apache (APA)	Daktronics (DAKT)	JC Penney (JCP)
PTC Therapeutics (PTCT)	Agilent (A)	DXC Tech (DXC)
Live Nation (LYV)	Covanta (CVA)	Herman Miller (MLHR)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Eversource (ES)	Forterra (FRTA)	Frontier (FTR)
Rubicon (RUBI)	LGI Homes (LGIH)	Sprint (S)
Apellis (APLS)	Cal-Maine (CALM)	Office Depot (ODP)
Recro Pharma (REPH)	Barclays (BCS)	Tellurian (TELL)
Opko (OPK)	Fleetcor (FLT)	Adobe (ADBE)
Tri Point (TPH)	Sprint (S)	Acadia (ACAD)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Oasis (OAS)	Zynga (ZNGA)	Daktronics (DAKT)
CBS Corp (CBS)	Nvidia (NVDA)	Agilent (A)
McDermott (MDR)	Barclays (BCS)	Covanta (CVA)
Callaway (ELY)	Tesla (TSLA)	PTC Therapeutics (PTCT)
Kraft Heinz (KHC)	Square (SQ)	Live Nation (LYV)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Ford Motor (F)	AbbVie (ABBV)	Callaway (ELY)
Baidu (BIDU)	Microsoft (MSFT)	Agilent (A)
GE	Roku (ROKU)	Covanta (CVA)
AT&T (T)	Fed-Ex (FDX)	PTC Therapeutics (PTCT)
Clovis (CLVS)	Las Vegas Sands (LVS)	Live Nation (LYV)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Tri Point (TPH)	J&J (JNJ)	SEAS, January \$30/\$38 call spread bought 2,500X5,000
McDonalds (MCD)	Spotify (SPOT)	KO, 7,000 October \$52.50 synthetic long spreads
NanoString (NSTG)	Beigene (BGNE)	DVN, 5000 January 2020 / Jan. 2022 \$30 call calendar spreads
Devon Energy (DVN)	Parsley (PE)	BRK.B, 5,700 September \$200 synthetic long spreads
ZTO Express (ZTO)	Kroger (KR)	SRPT, November \$80/\$105 bear call spreads

Extras

Centene (CNC) trade opened 2500 September \$45/December \$47.5 call diagonal spreads for \$1.50

Disney (DIS) afternoon buyer of 1000 March \$145 calls \$5.70 offer to open

PayPal (PYPL) with 1500 March \$95 puts sold to open \$4.45

Apellis Pharmaceuticals (APLS) trading almost 100X average calls yesterday with a buyer of 3,000 December \$30 calls from \$4.10 up to \$6.20. APLS had a buyer of 400 October \$25 calls last week as well around \$3.40. Shares have pulled back to the August lows as well as the 20-week MA and the low-end of cloud support. Shares have run strong since February and holding the 38.2% Fibonacci of the move. The \$1.73B biotech trades 6X cash with limited debt. APLS focuses on ophthalmology and hematology treatments with their lead product APL-2 being explored in both indications right now at the Phase 3 level. Their study in PNH is going head-to-head with Alexion's (ALXN) Soliris which is the only approved treatment on the market right now. However, APLS believes their market opportunity is significant with 72% of Soliris patients remaining anemic. The company also notes that Soliris and Ultomiris have a negative effect of leaving red blood cells exposed to extravascular hemolysis. The PNH study has Phase 3 results in December. Analysts have an average target for shares of \$45. JP Morgan upgrading to Overweight on 7-12 with a \$49 PT. The firm thinks APL-2 is an underappreciated asset in the complement space, with opportunities that span geographic atrophy and paroxysmal nocturnal hemoglobinuria in the later stage. They also note that near-term eyes will be on the PEGASUS readout in December and early data suggests a potential differentiated option in the disease with respect to hemoglobin increase and other hematological indicators. OpCo starting at Overweight on 7-9 with a \$52 PT. They think APL-2 is well positioned to address the high unmet need in geographic atrophy where no treatment options currently exist, while also addressing deeper unmet need in a defined orphan blood disorder. Short interest is 4.7%. Hedge Fund ownership fell 8.25% in Q2. Hillhouse, Orbimed, and Cormorant Asset Management notable holders. APLS had a notable insider buy on 8-29 from the CFO of 11,699 shares at \$29.71, a more than \$347K investment.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
MLHR	Herman Miller	\$0.84	\$0.78	\$670.90	\$661.80	7.40%	
DRI	Darden	\$1.38	\$1.36	\$2,133.90	\$2,133.60	3.50%	

X – Lowering Q3 Outlook - The company states: "The positive flat-rolled steel market indicators experienced earlier this summer have softened after a brief recovery in steel selling prices. The impact of falling steel prices through the second quarter, combined with the impact of a larger than expected drop in scrap prices on market sentiment, is expected to negatively impact Flat-rolled earnings in the second half of the year. As a result, our current assessment of the Flat-rolled segment suggests two blast furnaces will remain idled through at least the end of the year. Based on the continued idling of our two U.S. blast furnaces and current demand forecasts, we now expect full year Flat-rolled shipments to third party customers to be approximately 10.7M tons. We will continue to evaluate our footprint to best match our production with our order book. In Europe, market conditions have continued to deteriorate, as the dislocation between steel selling prices and

raw material costs continues to result in significant margin compression. Based on current market conditions and the continued high level of steel imports into Europe, we do not expect to restart the currently idled blast furnace this year. As a result, we reiterate our full year shipment guidance of approximately 3.6M tons. We also continue to execute our labor productivity strategy at U. S. Steel Europe, which includes a headcount reduction of 2,500 by the end of 2021. To date, we have eliminated approximately 1,800 positions. We expect our Tubular segment to remain under pressure for the remainder of the year as market conditions have turned negative and import levels remain high. Weaker demand for oil country tubular goods product, which has reduced our full year shipment expectation to approximately 0.7 million tons, and lower selling prices for seamless and welded pipe, are expected to have a significantly negative impact on earnings in the second half of the year."

Small-Cap Focus

Rent-a-Center (RCII) is a small-cap in focus recently with shares consolidating in a narrow range near five-year highs with the October \$27 calls accumulating over 10,000X. RCII also has seen some September \$26 calls bought which expire on Friday. A breakout over \$27 and out of this current range targets \$30+ in the near-term while the longer-term trend has a big VPOC around \$35 up above. The \$1.4B company has rebounded sharply since late 2018 up 250%. Shares trade 10X earnings, 0.53X sales, and 5.55X FCF with a 3.86% yield. RCII expects 14% EPS growth next year and 8% following with revenues up 3-4%. RCII has had an interesting two years after agreeing to – and then backing out of – a \$1.36B merger deal with Vintage Capital last year. The company terminated the deal after Vintage failed to inform RCII it was extending its takeover offer by the agreed upon date and was taken to court where RCII's termination was deemed valid. RCII has seen improved sales in 2019 as well as executing on a cost savings initiative which is helping shore up the balance sheet. SSS were up 5.8% in Q2 with online traffic up 30%. RCII has also expanded their 'Acceptance Now' brand within partner stores as they look to make flexible payment options more readily available. They have a 3-year goal of \$1.2B in revenues for AN with better volumes from more store locations, new product verticals, and more National retail partnerships. The company also recently acquired Merchants Now which provides virtual RTO services for non-prime customers. Their scope targets furniture, bedding, appliances, tires, and more. Analysts have an average target for shares of \$23 with 2 buy ratings, 2 hold, and 2 sell. Janney upgrading shares to Buy on 8-8 with a \$32 PT seeing RCII in a strong position to grow EPS and return capital to shareholders. Stephens upgrading to Neutral in May. The firm thinks sees as "massive potential" for third-party retailer Rent-To-Own and the company's 'Acceptance Now.' Raymond James raising to Strong Buy earlier this year after settling all litigation issues with Vintage Capital. The firm notes the financial performance of the company has "improved significantly from the depths of the past few years" and also points to the management's efforts to restructure and refinance its high-cost debt. Short interest is 10.8% and down from around 54.5% in March 2018. Hedge Fund ownership rose 7.9% in Q2. Engaged Capital remains a top holder with 5.33M shares, a position they've held since late 2016.