

TOP STORIES

- US, China Continue Face-to-Face Talks in Washington Ahead of October Meeting
- Juncker: EU, UK Can Reach Brexit Deal Before Deadline
- India Delivers Surprise Corporate Tax Cuts to Boost Economy
- Pentagon Preparing Wide Range of Military Options to Respond to Iran
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3012.5 (4.5)	3.11
Nasdaq	7935.5 (17.5)	8.71
Dow	27123 (45)	32.21

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7367.16	0.15%
DAX	12468.4	0.09%
Nikkei	22079.09	0.16%
Hang Seng	26435.67	-0.13%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:15	John Williams Speaks	
11:20	Eric Rosengren Speaks	
1:00	Robert Kaplan Speaks	

FOREX

EUR/USD	1.104 (0.01%)
USD/JPY	107.97 (-0.03%)
USD/CAD	1.3262 (0.02%)
GBP/USD	1.2507 (-0.14%)
USD	97.98 (0.14%)

COMMODITY

Oil	58.72 (1.01%)
Natural Gas	2.553 (0.59%)
Gold	1511.2 (0.33%)
Copper	2.6125 (0.15%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.93 (-0.14%)
Nasdaq	VXN	17.33 (-3.94%)
Oil	OVX	41.11 (1.66%)
Gold	GVZ	15.00 (-0.66%)

MARKET OUTLOOK

Futures are indicating a modestly higher open for the morning after a quiet global close to the week. It's quad witching today so could add to volatility. It's been quiet on the trade front as the US and China prepare for their early October meeting. A Chinese delegation is planning to visit US farm-land next week. In-person talks between the two sides resume today in Washington to lay the groundwork for October. The repo market remains in focus with the Fed planning a fourth temporary liquidity injection today after swap spreads fell to record lows. There's some concern it could worsen as we approach quarter-end. In the UK, the Pound jumped after EC President Juncker said a deal on Brexit is possible by the deadline. However, Irish leadership remains skeptical on current proposals. The UK Supreme Court will issue a verdict on PM Johnson's plan to suspend parliament early next week.

Asian markets finished the week mixed with China lagging slightly. The Nikkei posted its third weekly gain as sentiment improved behind speculation of more easing. It was a quiet morning for data. Japanese CPI fell slightly to 0.3% in August vs 0.6% forecast. Foreign investments in Japanese stocks saw sizable outflows in the recent reading. Hong Kong CPI was 3.5%. Looking at stocks, the best performer was **Rakuten** up nearly 4% while **Suzuki Motor** was up 3.7%. Bar and restaurant operators like **Hub Co** rose ahead of the Rugby World Cup kicking off.

European markets are in the green early, albeit a quiet session so far. We dipped early after opening flat but rebounding on light volumes. It was a quiet night for new data. German PPI cooled to 0.3% vs 0.6% expected. Defensive stocks and retailers are leading. **Casino** was up 2% after starting talks to sell its discount store chain Leader Price to Aldi. **Roche** higher this morning after an FDA approval. **Signify** fell 7% after former parent **Philips** said it was selling its remaining stake.

S&P TECHNICALS

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



3705 Advancing	Declining 3579
47.9%	46.3%
244 New High	New Low 51
82.7%	17.3%
4916 Above SMA50	Below 2728
64.3%	35.7%
4628 Above SMA200	Below 3016
60.5%	39.5%

KEY EVENTS TODAY

Economic Data on Monday: John Williams Speaks, James Bullard Speaks, Mary Daly Speaks, Chicago Fed

International Data: RBA Minutes, China Housing Prices

Earnings BMO: CMD, UXIN

Earnings AMC: ASNA

Analyst Day: BABA

ANALYST ACTION/COMMENTS

Etsy (ETSY) upgraded to Outperform at RBC Capital

United Rentals (URI) upgraded to Buy at Goldman

Herc (HRI) upgraded to Buy at Goldman

Costco (COST) upgraded to Accumulate at Gordon Haskett

LiveRamp (RAMP) upgraded to Strong Buy at First Analysis, \$60 PT

Ericsson (ERIC) upgraded to Buy at DZ Bank

Eagle Materials (EXP) upgraded to Neutral at Northcoast

Liberty (LBTYA) downgraded to Sell at Citi

Synovus (SNV) downgraded to Neutral at Evercore

Xilinx (XLNX) downgraded to Neutral at BAML

First Energy (FE) downgraded to Neutral at Mizuho

Cosan (CZZ) downgraded to Neutral at MSCO

Carvana (CVNA) initiated Buy at Oppenheimer

Myokardia (MYOK) initiated Buy at Guggenheim

MKM starting **TAP, STZ, HEXO** at Buy, **BF.B, SAM, BREW, CRON, CGC, TLRV** at Neutral

Atmos (ATO) initiated Buy at Goldman

Freeport (FCX) initiated Outperform at BNP Paribas

Xylem (XYL) initiated Buy at Jefferies

Wayfair (W) initiated Sell at Berenberg, \$100 PT

Accenture (CAN) initiated Overweight at Barclays;
Cognizant (CTSH) started at Sell

CACI initiated Overweight at Barclays

Tellurian (TELL) initiated Sell at MSCO

MEDIA HIGHLIGHTS

First Quantum Minerals seeing takeover interest - Bloomberg

Some **Apple (AAPL)** tariff relief requests move forward but Trump says he will reject them - Bloomberg

California Resources (CRC) says not considering restructuring - Bloomberg

Intel (INTC) stepping up EUV equipment, material purchases – DigiTimes

PG&E (PCG) bond holders will partner with wildfire victims for propose new bankruptcy plan – WSJ

Dish Network (DISH) purchase of **DirectTV (T)** will likely not happen - NY Post

Google (GOOG) will invest \$3B in EU data centers - Reuters

Netflix (NFLX) CEO says company will make a big increase in buying UK content – Reuters

Germany Weighs Big Wind, Solar Increase – Bloomberg

Tiffany's (TIF) Woos Chinese Shoppers at Home Amid Trade War – Bloomberg

Hitachi to raise \$9.26B in renewed push for growth - Nikkei

Casper wants to dominate the 'sleep' market – Skift

STOCK SPECIFIC NEWS OF NOTE

Western Digital (WDC) to sell its IntelliFlash biz to DDN

Align (ALGN) announces global distribution pact with **Zimmer Biomet (ZBH)**

Nexstar (NXST) completes **Tribune (TRCO)** deal, sees 2019/2020 pro-forma FCF \$1.02B

Arconic (ARNC) to sell forgings business to Aero Forgings

Parsons (PSN), Serco awarded \$968.15M Navy contract

McDonald's (MCD) raises quarterly dividend by 8%

FibroGen (FGEN), Astellas Pharma announce Japanese approval of Evrenzo

Aerie Pharmaceuticals (AERI) receives CHMP recommendation for Rhokiinsa MAA approval

Regeneron (REGN), Sanofi (SNY) confirm positive CHMP opinion for Dupixent

McDermott (MDR) to explore strategic alternatives for Lummus Technology

PRE-MARKET MOVERS

Moving Higher: MDR 96%, CRC 23%, HDB 8.5%, IBN 7.5%, TTM 5.9%

Moving Lower: ROKU -5%

INSIDER TRADING (Form 4 Filings)

Buying: SGMS, VTVT

Selling: TOL, MORN, MDC, OPY, TOL, LOW, RH

POTENTIAL SYMPATHY TRADES

HDB, IBN, TTM – on India tax cut

OPTION HIGHLIGHTS (Prior Day)

Disney (DIS) aggressive buys of 1500 March \$150 calls \$3.55 to \$3.60 into weakness, and follows 1000 of the \$145 calls bought yesterday afternoon, and 1,000 March \$155/\$120 bull risk reversals opened on 8/13. DIS shares are showing weakness with the other streaming media plays this week as competition in the space continues. The weekly is starting to form a potential head and shoulders topping pattern above that large gap move from April, but support potential in this \$133-\$135 zone. The \$246B Media giant trades 23.4X Earnings, 18X EBITDA, and yields 1.3%. DIS is a story of many moving parts as it integrates its acquisition of Fox and also set to launch its streaming media platform. Analysts have an average target of \$152 and short interest low at 1.1% of the float. CSFB upgraded to Outperform on 8-8 with a \$150 target seeing less risk to estimates and notes catalysts as (1) successful pay TV distribution renewals increasing confidence in affiliate revenue, including Charter and DISH shortly and AT&T in early September, with Disney+ distribution included in each; (2) Star Wars land opening at WDW August 29th and the key Rise of the Resistance attraction opening Dec / Jan at WDW / DL to drive Parks after its F3Q19 air pocket; (3) Disney+ to begin advertising in late August (the D23 Expo is August 23-25), and numerous marketing / distribution partnerships to be announced leading up to its November 12th, U.S. 2019 launch; (4) FY20 to begin with a strong film slate (Star Wars 9; Frozen 2); and (5) Fox results to rebound during FY20, increasing confidence the Fox deal might be able to approach management's FY21 accretion guide. DIS disappointed last quarter but was defended at many firms and Rosenblatt out two weeks ago with a \$170 target. Imperial lowered estimates today on dim prospects for the Ad Astra film. Bloomberg reported on 9/10 that DIS plans to sell its video game unit. Tigress out positive on 8/26 saying continued accelerating business performance from its "strong" studio results and expects the ramp of its DTC streaming service to generate increasing return on capital. Hedge Fund ownership fell 15% in Q2 filings.

AFTER HOURS MOVERS

Gainers: CRC 16.5%, SCHL 11%, CDEV 8%, SCS 6%

Losers: PCG -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

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>
Centennial (CDEV)	Peabody (BTU)	Cali Resources (CRC)
Herman Miller (MLHR)	Ligand (LGND)	Eros Int'l (EROS)
New Media (NEWM)	Steelcase (SCS)	McDermott (MDR)
Flowserve (FLS)	Miller (MLHR)	Riot Blockchain (RIOT)
Finisar (FNSR)	Carbonite (CARB)	USA Tech (USAT)
Ferro (FOE)	Darden (DRI)	Mallinckrodt (MNK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
BJs Wholesale (BJ)	Century Casinos (CNTY)	Herman Miller (MLHR)
Digital Turbine (APPS)	Retrophin (RTRX)	Opko (OPK)
Evolent Health (EVH)	Pros Holdings (PROS)	Lexicon (LXRX)
ON Semi (ON)	Celgene (CELG)	Bloom Energy (BE)
Edgewell (EPC)	HP (HPQ)	Fastly (FSLY)
Polaris (PII)	Murphy (MUR)	Endo (ENDP)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Stars (TSG)	Liberty (LBTYA)	Daktronics (DAKT)
Transocean (RIG)	Steelcase (SCS)	Agilent (A)
Fifth Third (FITB)	Activision (ATVI)	Covanta (CVA)
Capri (CPRI)	Macys (M)	PTC Therapeutics (PTCT)
Tellurian (TELL)	I Robot (IRBT)	Live Nation (LYV)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Microsoft (MSFT)	Liberty (LBTYK)	Herman Miller (MLHR)
Verizon (VZ)	AT&T (T)	New Media (NEWM)
Broadcom (AVGO)	Cali Resources (CRC)	Flowserve (FLS)
Facebook (FB)	Bank of America (BAC)	Carbonite (CARB)
Nvidia (NVDA)	Citi (C)	Darden (DRI)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Morgan Stanley (MS)	McDermott (MDR)	GLD, March 31st (Q) \$145/\$165 call spreads opening 5500X
Philip Morris (PM)	Macys (M)	ORLY, 1300 November \$380/\$370 bull put spreads
ON Semi (ON)	Steel Dynamics (STLD)	COST, 1000 October 4th (W) \$285/\$300 call spreads
Shake Shack (SHAK)	Exxon (XOM)	PII, 1000 December \$95/\$115 call spreads
Costco (COST)	ConAgra (CAG)	AVLR, 1,000 October \$80/\$90 call spreads

Extras

Brookfield Asset Mgmt. (BAM) odd trade looks to be buying back the 3,250 December \$55 short calls that are part of the bull call spread and selling 3,250 of the Oct \$55 puts to open \$1.30

Cara Therapeutics (CARA) closing weak and 1500 October \$20 puts bought up to \$0.60

NetApp (NTAP) another 3,000 December \$55 puts being bought late for \$4.40 as some Sept. \$60 puts close and adjust out

Amarin (AMRN) with 8000 October \$19 puts opening as September adjusted

Chevron (CVX) with 2800 Jan. 2021 \$105 calls opening as January 2020 calls adjusted

Home Depot (HD) block of 1,520 March \$250 calls opened \$5.25

Trip Advisor (TRIP) with 2300 December \$32.5 puts sold to open \$0.725

Facebook (FB) shares setting up well and looking to clear the 50-MA and buyers active yesterday for more than 4,500 October 4th (W) \$195 calls and follows buyers of 2,000 October 11th (W) \$192.50 calls last week. FB Has seen some size November \$190 and \$205 calls bought in late August/early September and a lot of bullish open interest stretching across October, November, and out to June 2020. Shares tagged the 200MA on 8-23 and held with a nice base forming and potential for a run back to \$205. The big rising channel throughout the year targets a move ultimately to \$220. The \$537B company trades 19.8X earnings, 8.6X sales, and 30X FCF with EPS growth accelerating 15% and then 18.25% the next two years. FB continues to see low-20% revenue growth as they monetize a wide range of assets from Instagram and Messenger to WhatsApp. Analysts have an average target for shares of \$222.50. Cleveland Research raising estimates on 8-27 after checks suggest advertising spend appears better than expected. The firm says the higher spend is being driven by improving ROI, adoption of stories, and gains within digital video budgets and the analyst suggests further upside to ROI as a result of Campaign Budget Optimization, success with Direct Response Stories ads, positive feedback regarding the Instagram Shopping Beta, and limited impact from digital budget diversification. MKM starting at Buy on 8-2 with a \$245 PT as FB offers a rare combination of scale, growth, and profitability with significant runway ahead as they improve ad targeting, user experience, and monetization. Short interest is 0.9%. Hedge fund ownership rose 3.89% in Q2. Tiger Global a top holder with 8.975M shares while Viking Global, Coatue, Lone Pine, Appaloosa, and Altimeter all top holders.

Earnings

	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
SCHL	Scholastic Corp	-\$1.59	-\$1.80	\$232.60	\$217.60	6.50%	
SCS	Steelcase	\$0.50	\$0.43	\$998.00	\$980.87	14.00%	