

## TOP STORIES

- US, China Held Constructive Talks Ahead of October Meeting
- US, India Close to Announcing New, Limited Trade Agreement
- Saudi Oil Repairs Could Take Longer than Expected
- German Factory Activity Contracted at Fastest Pace in 10 Years in September

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2990.75 (1.25)</b>	<b>-3.72</b>
<b>Nasdaq</b>	<b>7844 (13.5)</b>	<b>-4.55</b>
<b>Dow</b>	<b>26876 (-18)</b>	<b>-51.07</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7316.82</b>	<b>-0.38%</b>
<b>DAX</b>	<b>12336.89</b>	<b>-1.05%</b>
<b>Nikkei</b>	Closed – Holiday	
<b>Hang Seng</b>	<b>26222.4</b>	<b>-0.81%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Chicago Fed</b>	
<b>9:45</b>	<b>PMI Composite Flash</b>	
<b>9:50</b>	<b>John Williams Speaks</b>	
<b>1:00</b>	<b>James Bullard Speaks</b>	

## FOREX

<b>EUR/USD</b>	<b>1.0976 (-0.37%)</b>
<b>USD/JPY</b>	<b>107.42 (-0.12%)</b>
<b>USD/CAD</b>	<b>1.3287 (0.21%)</b>
<b>GBP/USD</b>	<b>1.2446 (-0.25%)</b>
<b>USD</b>	<b>98.38 (0.25%)</b>

## COMMODITY

<b>Oil</b>	<b>57.88 (-0.36%)</b>
<b>Natural Gas</b>	<b>2.513 (-0.82%)</b>
<b>Gold</b>	<b>1526.8 (0.77%)</b>
<b>Copper</b>	<b>2.578 (-1.09%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>15.32 (9.04%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.11 (8.89%)</b>
<b>Oil</b>	<b>OVX</b>	<b>38.99 (-5.25%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>16.79 (10.97%)</b>

## MARKET OUTLOOK

Futures are indicating a moderately weak open for the morning with trade concerns again lingering. News on Friday the Chinese delegation had canceled a trip to the US heartland this week has caused a rise in pessimism. The two sides tried to allay concerns this weekend saying the request was not a result of trade talks. Their meeting in October remains on. The President kicks off a three-day visit to the UN today where he hopes to fend off questions he sought help from the Ukraine in the 2020 election. Sec of State Pompeo said this weekend the US is working on a diplomatic solution to Iran but POTUS is prepared to take over actions if necessary. Gold and silver are bid higher early, the latter up 3.75% and working out of a small base. Oil is putting in a green-to-red move overnight.

Asian markets were modestly lower overnight with geopolitical tensions rising slightly. Concerns over a US/China trade deal are weighing on Chinese markets while civil unrest in Hong Kong continuing. Japan was on holiday for Autumn Equinox. It was a quiet morning for new data. Australian services PMI was better than feared at 52.5 vs 45.3. Manufacturing PMI fell to 49.4, the first reading under 50 in over a year.

European markets are weak this morning with concerns about growth surging after another round of weak PMI data. The DAX is leading lower down over 1%. Eurozone manufacturing PMI fell to 45.6 vs 47.3 forecast, continued weakness. Services PMI was also weaker than expected at 52.0 while composite PMI fell to 50.4. German manufacturing PMI dropped sharply to 41.4 vs 44.0 forecast. Services PMI was also weak. PMI data was weak across the board in France as well. Financials were hit hard with Germany's **Commerzbank** down 5%. Air and leisure was positive with travel operator **TUI** up 6.6% and **EasyJet** and **Ryanair** both strong as well. This comes after **Thomas Cook** collapsed over the weekend, suspending operations and stranding thousands. The other operators expect to benefit from the void.

## S&P TECHNICALS

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



3400 Advancing	Declining 3880
44.0%	50.72%
145 New High	New Low 61
70.4%	29.6%
4962 Above SMA50	Below 2682
64.9%	35.1%
4613 Above SMA200	Below 3031
60.3%	39.7%

**KEY EVENTS TODAY****Earnings AMC:** ASNA**Analyst Day:** BABA**Conferences:** Deutsche Bank Leveraged Finance**Tomorrow...** Case-Schiller at 9:00 AM, FHFA Housing Prices at 9:00, Consumer Confidence at 10:00, Richmond Fed at 10:00. **Earnings BMO:** AZO, BB, KMX, INFO, JBL, MANU, NEOG, NIO**ANALYST ACTION/COMMENTS****Con Ed (ED)** upgraded to Overweight at Keybank**Anixter (AXE)** upgraded to Outperform at Wells Fargo**Chewy (CHWY)** upgraded to Buy at Nomura**Agios Pharma (AGIO)** upgraded to Buy at Guggenheim**Sanofi (SNY)** upgraded to Buy at Guggenheim**Kimberly Clark (KMB)** upgraded to Overweight at Barclays**KKR** upgraded to Buy at BAML**Advanced Energy (AEIS)** upgraded to Buy at Citi**Regeneron (REGN)** upgraded to Buy at Guggenheim**Alcoa (AA), Commercial Metals (CMC)** downgraded to Neutral at Goldman; **Schnitzer (SCHN)** cut to Sell**Cliff's (CLF), US Steel (X)** downgraded to Neutral at JP Morgan; **AK Steel (AKS)** downgraded to Sell**Illinois Tool (ITW)** downgraded to Sell at Goldman**TE Connectivity (TEL)** downgraded to Neutral at MSCO**Spirit (SAVE)** downgraded to Neutral at Stephens**Clorox (CLX)** downgraded to Sell at Barclays**Valaris (VAL)** downgraded to Sell at Citi**Brooks Automation (BRKS)** downgraded to Neutral at Citi**Continental Resources (CLR), Concho (CXO)** downgraded to Neutral at Citi**Simon Property (SPG)** downgraded to Neutral at Citi**Edwards (EW)** started Buy at Piper Jaffray**Lululemon (LULU)** initiated Overweight at Piper**Elanco (ELAN)** initiated Overweight at Barclays**CF Industries (CF)** initiated Overweight at Consumer Edge**MEDIA HIGHLIGHTS**Barron's positive **OXY, FANG, CDEV, MTDR, EOG, HES, REAL, CMCSA, DAL, EHC, FB, JNJ, MSFT**; cautious **JNJ, TEVA, ENDP, MNK, ABT, TEVA, MCK, CAH, ABC, WBA, CVS**US approves 10 of 15 tariff exemptions for **Apple (AAPL)** including Mac Pro – Bloomberg**Uber (UBER)** expects London ruling this week – Times UK**WeWork (WE)** directors, Softbank pushing for CEO Neumann to step down – WSJ**Tivo (TIVO)** to display ads before DVR recordings – Verge**Fannie (FNMA), Freddie (FMCC)** could being keep profits next week – WSJ**NYSE (ICE)** rolling out bitcoin futures – WSJSheldon Adelson warns Trump on US, China talks (Adelson is the founder of **LVS**) – WSJ**Disney (DIS)** called off deal to acquire **Twitter (TWTR)**, Iger recalls in memoir – NY Times**Deutsche Bank (DB)** nearing deal to transfer prime assets to BNP – ReutersIndonesia to fault **Boeing (BA)** 737 Max design, oversight lapses in Lion Air crash – WSJ**STOCK SPECIFIC NEWS OF NOTE****BeiGene (BGNE)** announces results on Tislelizumab from ongoing clinical trials**Viacom (VIAB)** acquires exclusive cable rights to Seinfeld**NVR** to join S&P 500; **PriceSmart (PSMT)** to join S&P 600; **II-VI (IIVI)** to join S&P 400**Post Holdings (POST)** files IPO for active nutrition unit BellRing Brands**Northrop Grumman (NOC)** subsidiary awarded \$1.12B Missile Defense Agency contract**Biogen (BIIB)** says Plegridy, Avonex receive 'positive opinion' from CHMP**Clovis (CLVS)** acquires rights to FAP**Aptiv (APTIV), Hyundai** to form autonomous driving JV**Exact Sciences (EXAS)** says Cologuard gains FDA approval for use in ages 45-49**Caesars (CZR)** to sell Rio Hotel & Casino to principal of Imperial for \$516.3M

**PRE-MARKET MOVERS**

**Moving Higher:** PSTV 75%, RKDA 6.8%, IBN 4.7%, HDB 4%, SLV 2.3%, ROKU 1.8%, YNDX 1.6%

**Moving Lower:** MT -4.7%, X -4%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** KHC, ACAD

**Selling:** GWRE, TWLO, EXEL, ZEN, RH, CSCO, EXP, ELF, INTU, CBRL, TDY, KALU

**POTENTIAL SYMPATHY TRADES**

WPM, CDE, SSRM, PAAS, HL – on silver strength

**OPTION HIGHLIGHTS (Prior Day)**

**Centene (CNC)** bullish action this morning with 1000 October \$45 calls bought \$2.50 to \$2.60 and 1000 December \$45 calls bought \$4.10 offer, and follows the December \$47.5/\$42.5 bull risk reversal 2,500X5,000 yesterday and 2,500 December \$47.5 calls opened the prior day. CNC has seen accumulation in upside calls across multiple months and still has 12,500 December \$47.50 short puts in OI. Shares have pulled back and based for a few weeks at the rising 233 week EMA and looking to rebound. The \$19B managed care Co. trades 9.45X Earnings, 12.7X FCF and involved in M&A with a merger with WellCare (WCG), though rumors persist that Humana (HUM) may look to buy CNC and break up that deal. Hedge funds Corvex Management LP and Sachem Head Capital Management LP have built stakes in U.S. health insurer Centene Corp and are exploring challenging its planned \$17.3 billion acquisition of WellCare Health. Analysts have an average target of \$72 and short interest has risen to 18.5% of the float, though likely M&A arbitrage related. Viking Global also added to its large position in Q2 and Third Point took a new stake, hedge fund ownership up 44%. CNC will host an Investor Day on 12-13 and next reports 10-22. Deutsche Bank started coverage at Buy with a \$62 target earlier this month seeing it well positioned to grow market share organically and through the WCG acquisition, but also believes it is a M&A target itself.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.671	Rising – Cautious
CBOE Index Put/Call Ratio	1.21	Elevated – Cautious
CBOE Skew Index	117.50	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	58	Greed
NYMO	6.44	Neutral
NYSE New Highs – New Lows	40	Neutral
McClellan Summation	782.03	Above 8-EMA
Univ. of Michigan Consumer Sentiment	89.8 (August)	Weakening

**SMART MONEY (13g/13d Filings)**

**IPO MONITOR**

**Endeavor (EDR)** issuing 19.4M shares at \$30-\$32; Global entertainment, sports, and content company

**Oportun Financial (OPRT)** issuing 6.3M shares at \$15-\$17; Provider of financial services focusing on consumers with no credit or limited credit history

**Peloton (PTON)** issuing 40M shares at \$26-\$29; Provider of an inter-active fitness platform using equipment and live-streaming content

**SECONDARY MONITOR**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**ANSS:**



**Ansys (ANSS)** shares are consolidating in a multi-week range under \$220 with a breakout targeting \$235. RSI and MACD are both working higher with room to expand. ANSS has shown relative strength recently.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** J&J Snack Foods (JJSF)

**Price:** \$191.65

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>35X</b>	<b>3X</b>	<b>4.5X</b>	<b>19.5X</b>	<b>45X</b>
<b>Industry Avg.</b>	<b>50X</b>	<b>1.8X</b>	<b>3.2X</b>	<b>19.8X</b>	<b>25.2X</b>

**Analysis:** The \$3.62B company trades 35X earnings, 3X sales, and 18.4X cash with a 1% yield. JJSF operates under a number of brands with a focus on pretzels like Auntie Annie's and Mr. Twister. They have a dessert and frozen juice brands like Luigi's, Whole Fruit, ICEE, and Sour Patch Kids. JJSF is seeing better sales and improved margins as they focus on costs and better efficiencies in manufacturing.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**AXP:**



**American Express (AXP)** shares are back near support at \$116 after multiple weeks unable to press past the declining 20- and 50-MA. AXP has room under the 200-MA to \$110 and a big VPOC while RSI and MACD both weaken with room yet for extension lower.

## PAIR TRADE OF THE WEEK

**Industry:** Packaging

**Long/Short:** Long **Graphic Packaging (GPK)**, Short **Berry (BERY)**

**Analysis:** GPK is a \$4.18B company which is seeing better volumes and margins as their pricing initiatives move positive in Q2. BERY is a \$5B packaging company which trades cheap at 9.4X earnings and 7.5X FCF but weighed down by weakness in their Engineered Materials business and a debt-heavy balance sheet after a string of deals.

## SMALL CAP TRADE OF THE WEEK

**AMAG Pharma (AMAG)** is a \$442M biotech which trades 1.69X cash with limited debt. AMAG focuses on therapies for maternal and women's health as well as anemia management. AMAG has seen a lot of insider buying recently with Armistice Capital and Camber Capital both adding around \$7.50 to \$8. Activist Caligan has also nominated several directors to the board. They have an AdCom for Makena for preterm birth due in Q4.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Builder First (BLDR)	Cerner (CERN)	DBV Tech (DBVT)
Vici (VICI)	Alcon (ALC)	Mallinckrodt (MNK)
NanoString (NSTG)	Steelcase (SCS)	USA Tech (USAT)
InterXion (INXN)	Estee Lauder (EL)	Pareteum (TEUM)
Nielsen (NLSN)	Discovery (DISCA)	Roku (ROKU)
SM Energy (SM)	Sleep Number (SNBR)	Fitbit (FIT)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Extended Stay (STAY)	Univar (UNVR)	McDermott (MDR)
Tallgrass (TGE)	Newpark (NR)	Cali Resources (CRC)
Prologis (PLD)	TopBuild (BLD)	Scholastic (SCHL)
Sensata (ST)	Premier (PINC)	Pieris (PIRS)
InterXion (INXN)	Louisiana Pacific (LPX)	Finsar (FNSR)
Radius (RDUS)	Macerich (MAC)	At Home (HOME)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
DXC Tech (DXC)	DocuSign (DOCU)	Gossamer (GOSS)
SM Energy (SM)	Pinduoduo (PDD)	Cali Resources (CRC)
Avaya (AVYA)	AT&T (T)	PG&E (PCG)
Parsley (PE)	AbbVie (ABBV)	Overstock (OSTK)
Tellurian (TELL)	GE	Apellis (APLS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
AT&T (T)	Bank of America (BAC)	Estee Lauder (EL)
Gold Miners (GDX)	Facebook (FB)	Discovery (DISCA)
Advanced Micro (AMD)	Jd.com (JD)	Sleep Number (SNBR)
Fitbit (FIT)	Microsoft (MSFT)	Nielsen (NLSN)
Deutsche Bank (DB)	Bristol Myers (BMY)	SM Energy (SM)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Centene (CNC)	Carnival (CCL)	MNST, 400 January 2021 \$70/\$55 bull risk reversals
Snap (SNAP)	Bausch (BHC)	EL, October \$195/\$200 call spreads 750X
Philip Morris (PM)	GW Pharma (GWPH)	CNC, December \$50/\$40 bull risk reversal 2500X5000
Boeing (BA)	Sleep Number (SNBR)	BPMC, 1500 October \$105/\$65 bull risk reversals
Lumentum (LITE)	Guardant (GH)	MCHP, 300 January 2021 \$110/\$87.5 bull risk reversals

## Stock Specific News

**Thomas Cook** Files for Bankruptcy After Bailout Talks Fail – Bloomberg

**Amazon (AMZN)** Dominates Emmys as 'Maisel,' 'Fleabag' Pick Up Wins

**Insulet (PODD)** announces FDA clearance of ACE Pump

**Mallinckrodt (MNK)** says StrataGraft Phase 3 trial met both primary endpoints

UAW strike at **GM** enters second week – WSJ

**Deere's (DE)** new CEO expected to focus on U.S. growth – WSJ

China steps up government presence at **Alibaba (BABA)**, others – Bloomberg

**TSMC (TSM)** could start volume production of 5nm chips in March 2020 – DigiTimes

**IEX** suffers blow as it shuts down listings business (**ICE, NDAQ**) – FT

**Baidu (BIDU), Google (GOOGL)** dominance in search rattled by new players – Nikkei

**Vivendi** keeps **Mediaset** stake, prepares to step up legal fight – Reuters

**Vonovia** buys Swedish **Hembla** from **Blackstone (BX)** for \$1.26B – Reuters

EU Antitrust regulator to open investigation into **Boeing's (BA)** \$4.75B bid for **Embraer's (ERJ)** commercial aircraft unit – Reuters

**DuPont (DD)** to acquire Ultrafiltration Membrane business from BASF

**Rocket Pharmaceuticals (RCKT)** announces IMPD clearance of RP-L301 for PKD

**Akcea (AKCA)** announces departure of CEO, COO

**GW Pharmaceuticals (GWPH)** receives European Commission approval for EPIDYOLEX

Court orders Nova Chemicals to pay **Dow (DOW)** \$1.08B in damages

**AstraZeneca (AZN)** says Qtrilmet recommended for approval in EU by CHMP

## Extras

**Diamondback Energy (FANG)** buyer of 1000 October \$95 puts \$3.20 to \$3.30

**Western Digital (WDC)** with 2000 November \$57.50 puts bought \$2.88 to open

**Applied Materials (AMAT)** buyer of 1000 January \$48 puts to open \$2.33

**YY Inc (YY)** with 740 November \$65 puts bought to open \$5.50

**Veeva (VEEV)** with 250 March \$160 ITM puts sold to open \$21.60

**Cantel Medical (CMD)** buyer of 500 October \$90 calls \$2.65 to open, earnings 9-23

**Royal Gold (RGLD)** shares basing over the last two weeks at the 50-day MA after pulling back from 52-week highs up near \$140. RGLD has seen a number of bullish trades recently including 800 January \$115 puts sold to open last week, 725 ITM October \$125 calls bought in late August up to \$11.50, and over 2,000 October \$140 calls bought on 8-29. The \$8.34B company trades 50.6X earnings, 19.7X sales, and 45X FCF with a small yield. RGLD expects EPS growth to accelerate to 11.5% in FY22 with sales up 1% to 3%. RGLD has focused on improving the balance sheet by reducing debt by \$150M so far this year and increasing liquidity to nearly \$1B. They are moving past their last big wave of financial restructuring and see equity scarcity driving potential for project development and M&A. RGLD has also hit strong production targets after adding new silver streams in Khoemacau and resolving litigation in Voisey's Bay. RGLD is majority gold-focused with 78% of all revenue while silver and copper are both 9% weights. Analysts have an average target for shares of \$113.50. B Riley with a \$125 PT behind higher gold prices, better production, and longer mine life expectations. They see RGLD as one of the few USA-incorporated, large-cap, high-quality gold plays. CIBC downgraded to Neutral on 8-1 citing valuation. Short interest is 4.2% and up slightly from 3.3% in June. Fund ownership fell 24.5% in Q2.

## Earnings

	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CMD	Cantel Medical	\$0.63	\$0.61	\$239.50	\$238.07	4.70%	
UXIN	Uxin	-\$0.38	-\$0.82	\$439.20	\$840.00	58.30%	

## Earnings Preview

**AutoZone (AZO)** will report earnings on Tuesday before the open with the Street looking for \$21.79 on \$3.93B in revenue, a 10% increase Y/Y. Next quarter is guided to \$14.20/\$2.75B while the FY is \$62.52 on \$11.78B. Shares have closed higher each of the last three after a stretch of weakness with an average closing move of 6.68%. The max move was 11.1%. Skew is slightly bearish with the 25-delta p/c spread at 1.0% vs 0.8%. 30-day IV is 31.3% and in the 83rd percentile. The \$28.4B auto parts company trades 17.8X earnings, 2.5X sales, and 13.38X FCF with a low-double digit EPS growth trajectory. AZO sees 2.5% and then 3.8% revenue growth. The company is coming off a strong quarter with comps up

3.9% and profits improving as they win share in higher-margin areas. AZO has made a push into commercial more and more in recent years and becoming a bigger part of the mix in recent quarters. Analysts have an average target for shares of \$1,125 with 12 buy ratings and 3 hold. Wedbush raising their PT to \$1,240 on 9-19 into earnings seeing more upside risk potential to comps. Wells Fargo raising their PT to \$1,275 on 9-18 expecting DIFM momentum to drive upside while concerns around DIY and tougher compares will likely linger. Oppenheimer raising their PT to \$1,225 with an Outperform in June noting, "We are now incrementally optimistic in the underlying potential for shares. Nearer-term, unfavorable weather and elevated investment spending could represent challenges for AZO. That said, over the intermediate to longer-term, sustained outsized commercial sales expansion should serve as an increasingly meaningful overall fundamental driver for the chain and a catalyst to close further the multiple gap between shares of AZO and those of its historically better positioned competitors." CSFB positive on the name noting that commercial outperformance vs peers like ORLY continue to widen. They highlight, "Commercial is a smaller percent of sales for AZO and it is benefiting from the program maturation curve, but the strength does point to growing traction from the company's internal focus on customer messaging, improved assortment and rising levels of availability as AZO expands its hubs and mega hubs." Short interest is 3.4% and near the low-end of its 2-year range. Hedge Fund ownership fell 22% in Q2. On the chart, shares are near a breakout above \$1,200 with a measured move to \$1,360. Support below is around \$1,115.