

TOP STORIES

- Global Markets On Edge as House Launches Formal Impeachment Inquiry
- China Prepares to Buy More US Pork as Trade Talks Revive
- French Consumers Show Resilience to Global Slowdown
- Higher Interest Rates Send Weekly Mortgage Applications Tanking 10%

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2964.75 (-5.5)	-3.35
Nasdaq	7710.25 (-25)	-20.79
Dow	26782 (-36)	-7.77

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7228	-0.87%
DAX	12171.78	-1.10%
Nikkei	22020.15	-0.36%
Hang Seng	25945.35	-1.28%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:0	New Home Sales	
10:00	Esther George Speaks	
10:30	EIA Petroleum Status	

FOREX

EUR/USD	1.0991 (-0.25%)
USD/JPY	107.31 (0.24%)
USD/CAD	1.3267 (0.20%)
GBP/USD	1.2406 (-0.66%)
USD	98.24 (0.32%)

COMMODITY

Oil	56.45 (-1.47%)
Natural Gas	2.483 (-0.80%)
Gold	1536.1 (-0.27%)
Copper	2.591 (-0.60%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	17.39 (16.7%)
Nasdaq	VXN	20.68 (11.00%)
Oil	OVX	38.36 (-1.79%)
Gold	GVZ	17.27 (2.07%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning after House Speaker Pelosi formally launched an impeachment inquiry into the President. This is likely going to be the dominant headline again today with the Ukraine transcript set to be released later as well. The uncertainty created by the process has hit global markets as well with indices down across the board. In the UK, PM Johnson is back at parliament after his closure was ruled illegal by the Supreme Court. The odds of a timely Brexit are getting lower and lower but reports out of the UK indicate that a confidence vote is also low probability before the 10/17 EU summit. Oil is getting hit overnight by trade worries with Brent down 1.65% and WTI down 1.45%. Gasoline is off by 2%. The dollar showing strength up 30 bps as it looks to work out of a small base.

Asian markets were weak overnight with the Nikkei falling to a 1-week low amid Trump uncertainty. Industrial and materials like machinery, oil, and coal were laggards. Airlines were strong with crude down 1.5%. **ANA Holdings** and **Japan Airlines** up 1.5%. **Nintendo** fell 4.5% after a report that initial shipments of their Switch Lite were soft. It was a quiet night for new data in Asia. Japanese Core CPI slipped to 0.4% vs 0.6%. The BOJ minutes were out and showed the committee discussed the need for preemptive responses to growing global risks.

European markets are lower this morning with the US political sentiment weakening. The Stoxx 50 is on pace for its worst day in a month. Tech stocks are lagging with semiconductors like **AMS**, **ASML**, and **Infineon** among the top losers. **Pfeiffer Vacuum** fell 14% after cutting their outlook. Truck supplier **SAF Holland** fell 6.25% after cutting their outlook. **EDF** fell 6% after the utility raised costs for their UK power plant. **Sainsbury** rose 2.5% after a new cost cutting plan. French consumer confidence rose to 104 in September, better than the 102 expected, and relative strength to the rest of Europe this month. UK mortgage approvals continued to slide lower.

S&P TECHNICALS

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



1900 Advancing	Declining 5495
24.2%	70.1%
171 New High	New Low 140
55.0%	45.0%
4421 Above SMA50	Below 3328
57.1%	42.9%
4398 Above SMA200	Below 3351
56.8%	43.2%

KEY EVENTS**Earnings After the Close:** AIR, FUL, KBH**Analyst Days:** AFL, G, BBY, WPM, VFC**Conferences:** Deutsche Bank Leveraged Finance, Stephens Bank Forum, Wells Fargo Consumer Conference and Beauty Forum (AEO, ANF, COT, DEK, DG, FL, GIII, GPS, LOW, LULU, MIK, NUS, PPC, SHOO, SKX, SYY, TGT, TUP, ULTA, URBN, USFD, VFC, WING, WMT)**Tomorrow...** GDP at 8:30 AM, International Trade at 8:30, Weekly Claims at 8:30, Robert Kaplan Speaks at 9:30, James Bullard Speaks at 10:00, Pending Home Sales at 10:00, EIA Nat Gas at 10:30, Mary Daly Speaks at 11:45, Richard Clarida Speaks at 1:45, Neel Kashkari Speaks at 2:00**ANALYST ACTION/COMMENTS****Berry Global (BERY)** upgraded to Buy at BAML**Lennar (LEN), Toll Brothers (TOL), KB Home (KBH)** upgraded to Outperform at Raymond James**Siemens** upgraded to Buy at HSBC**Liberty (LBTYA)** downgraded to Neutral at Barclays**Diamond Offshore (DO), Nabors (NBR), Noble (NE), Transocean (RIG), Valaris (VAL)** downgraded to Neutral at RBC Capital**Hilton Grand (HGV)** downgraded to Neutral at Janney**Ultra Clean (UCTT)** downgraded to Neutral at Cowen**Ichor (ICHR)** downgraded to Neutral at Cowen**Anaplan (PLAN)** initiated Buy at Rosenblatt**Uniqure (QURE)** initiated Outperform at Bernstein**Rumble On (RMBL)** initiated Buy at DA Davidson**Glu Mobile (GLUU)** initiated Buy at DA Davidson**Viper Energy (VNOM)** initiated Buy at Goldman**Wayfair (W)** initiated Neutral at UBS**Chart Industries (GTLS)** initiated Neutral at JP Morgan**Comcast (CMCSA)** initiated Buy at Benchmark**Momenta (MNTA)** initiated Buy at HC Wainwright**Turning Point (TPTX)** initiated Buy at HC Wainwright**MEDIA HIGHLIGHTS****AT&T (T)** does not plan to sell DirecTV unit, says COO - WSJ**Ford Motor (F)** to place India business into joint venture with Mahindra – Bloomberg**KKR (KKR)** puts European Locomotive Leasing on the sale block – ReutersSeveral private investors want to sell shares of **Juul (MO)** amid vaping investigation - NY Post**Aramco** will launch IPO process next month - Bloomberg**Amazon (AMZN)** introduces app based medical technology for its employees – FT**BYD Inc. (BRK.B)** is considering IPO of electronic component unit – BloombergU.S. lawmakers propose \$1 billion fund to replace **Huawei** equipment – Reuters**Google Cloud (GOOGL)** set to triple global business service forces – Digitimes**AMD** Ryzen processor delay blamed on unsatisfactory clock speeds – Digitimes**STOCK SPECIFIC NEWS OF NOTE****Amgen (AMGN)** Phase 3 BLINCYTO trial met primary endpoint**HD Supply (HDS)** intends to separate into two independent publicly traded companies**Acadia Pharma's (ACAD)** pimavanserin phase 2 study met primary endpoint**T-Mobile (TMUS), Microsoft (MSFT)** partner over game streaming platform Project xCloud**eHealth (EHTH)** CEO sees Medicare Advantage compensation rates increasing 5.8% in FY20**Boeing (BA), Air New Zealand** finalize order for eight 787-10 Dreamliner jets**Best Buy (BBY)** targets FY2025 enterprise revenue of \$50B; targeting \$1B of additional cost cuts**ThyssenKrupp** board seeks to oust CEO**Novartis (NVS)** says FDA submission 'reiterates firm commitment to data integrity'**Trimble (TRMB), Qualcomm (QCOM)** partner on positioning solutions for automotive applications**Altria (MO), Philip Morris (PM)** end merger talks; **Juul** CEO Kevin Burns to Step Down

PRE-MARKET MOVERS

Moving Higher: PM 7%, PCRX 8.5%

Moving Lower: RIG -3%

INSIDER TRADING (Form 4 Filings)

Buying: KHC, ACAD

Selling: LLY, CB, GWRE, TWLO, ZEN, EXP, XOMA

POTENTIAL SYMPATHY TRADES

UAA, SKX, FL – on NKE earnings

ARMK – on CTAS earnings

TSN, PPC, SAFM, HRL – on China pork buys

OPTION HIGHLIGHTS (Prior Day)

Capri (CPRI) with buyers today opening 4,000 February \$40 calls for \$1.80 and also 4,000 of the \$42.50 calls for \$1.25. CPRI has seen buyers open more than 10,000 November \$30 calls in late August while 10,000 of the February \$37.50 calls opened recently as well. CPRI has seen insiders active recently as well. In August, the CEO Bought \$10M in stock at \$27.48 while the CFO bought \$400K at \$34.50 earlier in the year. Shares have rallied off the recent lows and nearing a downtrend break from the October 2018 highs which were up near \$75. Above \$35 shares have room back to a VPOC at \$45 and then longer-term gap back to \$65. The \$5B maker of designer handbags and accessories trades 6.2X earnings, 0.93X sales, and 11X FCF with estimates for high-single digit to low-double digit EPS growth. CPRI is managing the tariff situation in retail well and comps growth at Versace is helping offset weakness in Michael Kors and Jimmy Choo. CPRI laid out a plan in June to build their 3 pillar brands to over \$8B in sales driven by investing in expanding their retail footprint, new products for KORS, and expanding Men's collections. They also continue to see a lot of room for cost synergies on the production side in sourcing, manufacturing, and design to grow EPS. Analysts have an average target for shares of \$54. Jefferies raising their PT to \$80 on 9-18. The firm thinks the long-term opportunity in Asia is being overlooked, while its near-term investments should drive improved stability and multiple expansion. Short interest is 5.3%. Hedge fund ownership fell 4.85%. Activist Eminence Capital has a 9M share position, their fourth largest and added last quarter. They also have call options.

AFTER HOURS MOVERS

Gainers: SNX 9.7%, NKE 5.5%, HDS 5%

Losers: LCI -13.5%

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

Stag Industrial (STAG) prices 11M secondary at \$29

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
Stock	35X	3X	4.5X	19.5X	45X
Industry Avg.	50X	1.8X	3.2X	19.8X	25.2X

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

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Brookfield (BAM)

MSG Networks (MSGN)

Clovis (CLVS)

NY Times (NYT)

Steel Dynamics (STLD)

Nio (NIO)

MSG Networks (MSGN)

Career Edu (CECO)

Groupon (GRPN)

Jabil (JBL)

SLM Corp (SLM)

Alder Bio (ALDR)

Inspire (INSP)

Guidewire (GWRE)

Tandem (TNDM)

General Mills (GIS)

Top Build (BLD)

Innovative Industrial (IIPR)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

BRF SA (BRFS)

Installed Building (IBP)

Mallinckrodt (MNK)

Acacia (ACIA)

Steel Dynamics (STLD)

Lexicon (LRRX)

Evolent (EVH)

Ring Central (RNG)

Jabil (JBL)

Kulicke (KLIC)

Univar (UNVR)

Fitbit (FIT)

Wyndham (WYND)

KBR

AutoZone (AZO)

Cars.com (CARS)

DaVita (DVA)

Altaba (AABA)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Antero (AR)

AerCap (AER)

Gossamer (GOSS)

Century Aluminum (CENX)

Transocean (RIG)

PG&E PCG)

Marathon (MPC)

Sprint (S)

Overstock (OSTK)

I Rhythm (IRTC)

Barrick (GOLD)

Solid Bio (SLDB)

Oasis (OAS)

Walgreens (WBA)

Lannett (LCI)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Gold (GLD)

Facebook (FB)

Inspire (INSP)

Marathon (MPC)

Tesla (TSLA)

General Mills (GIS)

JD.com (JD)

Teva (TEVA)

SLM Corp (SLM)

Nvidia (NVDA)

Apple (AAPL)

Guidewire (GWRE)

Arcelor Mittal (MT)

Top Build (BLD)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Knowles (KN)

Halliburton (HAL)

XBI, 6000 October \$78.50/\$75 put spreads

Lennar (LEN)

Iron Mountain (IRM)

PVH, 400 December \$90/\$110 call spreads

Mirati (MRTX)

Steel Dynamics (STLD)

WTI, 1,160 April \$4/\$2 put spreads

Stanley Works (SWK)

AB In Bev (BUD)

GH, November \$80/\$90 call spread this morning 550X1,100

Google (GOOGL)

AMD

INSP, 1000 November \$67.5/\$72.5 call spreads

Stock Specific News

Unprofitable Companies Are Raising the Most IPO Cash Since the Dot-Com Era – Bloomberg

McDonald's (MCD) CEO Wants Big Macs to Keep Up With Big Tech – Bloomberg

Avon (AVP) called to face lawsuit for discriminating against women – NY Post

Alibaba (BABA) unveils AI chip to boost cloud plans and cut reliance on US – Nikkei

Nestle's premium baby formula saw strong demand in China – Reuters

Stripe Rakes In Cash Even as Payments Hype Cools – WSJ

Globalfoundries Firming Up IPO Plans – WSJ

Chip Stocks Are Back on the Menu – WSJ

VF Corp (VFC) provides fiscal 2024 strategic growth plan

Medicines Co. (MDCO) says ORION-9 met all primary, secondary efficacy endpoints; ORION-10 met all primary, secondary endpoints

Achillion (ACHN) receives breakthrough therapy designation from FDA for Danicopan

Abiomed (ABMD) Impella 5.5 heart pump receives pre-market approval from FDA

Extras

Sonos (SONO) late day buyers of 2400 November \$15 puts for \$1.55

Dynavax (DVAX) buyer of the January \$4/\$6 call spread 3,000X6,000 for \$0.30

DaVita (DVA) with 3000 November \$50 puts sold to open for \$0.75 as part of a put spread with the \$55 puts bought

Carvana (CVNA) late trade opens 1500 January 2021 \$70 calls for \$20.50

Aerojet (AJRD) buyers opening 500 October \$50 calls today for \$2.65 to \$2.85, coiled name

Noble Energy (NBL) with nearly 4000 November \$20 puts bought \$0.60 to \$0.65 into the close

Cloudera (CLDR) buyer of 800 June 2020 \$15 calls for \$1.25, name with Icahn involved

Kimberly Clark (KMB) with 1000 October \$141 calls bought today for \$1.50, still has over 11,000 of the November \$140 calls in OI

Liberty Global (LBTYK) with 2000 April \$25 calls bought late day for \$2.15 to open

PayPal (PYPL) opening sales of 1500 March \$90 puts near \$3.40

Medicine Co (MDCO) opening sale 1500 November \$44 puts for \$3.80

Sanderson Farms (SAFM) shares setting up well and showing relative strength with bullish open interest in the October and November calls bought over the last two weeks. On 9-13, the October \$155

calls were bought over 1275X around \$3.50 and the November \$155 calls bought on 9-18 around \$9 over 1000X. Shares are flagging under \$157.25 and the May highs and above the rising 8-EMA. A move higher targets \$180. MACD crossed over bullish on the weekly recently. The \$3.46B company trades 15.17X earnings, 1.04X sales, and 46.5X cash with a 0.82% yield. They expect to earn over \$10.50/share in FY20 with revenue growth of 7.5%. SAFM is coming off a strong quarter with demand for boneless chicken breasts outperforming its normal seasonal weakness and pricing on poultry for grocery was slightly better than expected. SAFM is going into peak demand season, post-Labor Day, and potential strength in the 2H of the year and early 2020 with the global impact from African Swine Flu. Analysts have an average target for shares of \$125. Buckingham with a \$138 PT and Neutral rating for shares. They think SAFM will continue to benefit from low grain prices and favorable meat protein S&D but is cautious on timing for ASF benefits to US protein supplies. Short interest is 7.7% and at the lowest level since 2014. Hedge Fund ownership fell 11.5% in Q2. Highline Capital a notable holder. SAFM has an investor day on 10-17.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CTAS	Cintas	\$2.32	\$2.15	\$1,811.14	\$1,791.83	6.70%	FY In Line
CMTL	Comtech Telecom	\$0.29	\$0.17	\$176.40	\$164.89	5.40%	FY Above
NKE	NIKE	\$0.86	\$0.71	\$10,660.00	\$10,433.44	7.20%	
SNX	Synnex	\$3.30	\$2.86	\$6,204.00	\$5,693.14	28.70%	FY In Line
DAVA	Endava	\$0.20	\$0.18	\$76.6	\$75.62	24.6%	FY Above

NKE – Beat on EPS and Revenues - "Our targeted strategic investments are accelerating NIKE's digital transformation and extending our competitive advantage. Even amidst the increasingly volatile macroeconomic and geopolitical environment, we expect our unrelenting focus on better serving the consumer to continue fueling strong, broad-based growth across our global portfolio." Digital grew 42%, with mobile leading the way. The Co has effectively navigated through excessive duties and grew revenue 27% on currency-neutral basis in China. They see much more to come from Nike innovation in FY20 including investing in personal experiences, back-end capabilities and scale. SNKRS app is now in 22 countries

IPO Focus

Peloton (PTON) is expected to debut this week pricing 40M shares at \$26-\$29. This would be around an \$8B valuation. PTON is a connected fitness company but they also deliver original content, software, and root a lot of their success on the community they've built as well. PTON has been a hotly debated name even before starts trading with their high-price point, 'cult like' product status, and (wide) definition as a "technology, media, software, product, experience, fitness, design, retail, apparel, and logistics company." The company has three key tiers. The most popular is their bike which launched in 2014. More recently, they've launched a treadmill and a digital footprint which includes things like yoga for an

additional cost. The hardware is expensive with the bike at \$2,245 and the tread at \$4,295 which compares to Consumer Reports ranges of \$200-\$2,000 and \$2,500-\$3,000. They have a multi-channel salesforce which includes 74 showrooms. They plan to continue expansion across all of their major markets. The company is an attempt to make studio fitness an 'at home' experience. In 2019, a boutique gym can charge anywhere between \$15 and \$40 for a single class. Monthly costs for some of the larger gyms like Equinox can run up to \$520/month for two people. PTON instead offers a flat monthly rate for subscribers of \$39. Similar to other media like music, movies, and books, PTON sees fitness as prime for disruption by streaming. They pitch the convenience of at-home use, new and evolving programming, unlimited use, and the sense of community as key drivers for their service. They also highlight their instructors who can be a deciding factor for people to join. By the numbers, PTON has been an impressive growth story. They've got more than 1.4M members, over 510K subscribers, and strong retention at 95%. Their connected fitness subscriber CAGR has been 144% since 2016 and they now do over 60M workouts per year. Engagement continues to grow as well the longer you own a bike with earlier cohorts (2016, 2017) seeing their average workouts per subscriber rise in 2018 and 2019. They have some notable costs including production and studio outlays while instructor salaries likely continue to grow. The cost of content as a % of subscription revenue is around 9%. The company is investing in content hubs including two new studios opening in 2020 in NY and London. Revenues have grown to more than \$900M in their latest FY (~ \$700M from machines). Their gross margins are pretty strong around 40% but they've spent a ton on SG&A and money-losing in 2019. They also spend for music rights to run with their classes with over \$50M spent in the last three years. Licensing fees are likely to continue growing, not slowing, and will remain a risk longer-term. One thing the company has suggested is using new and emerging artists who are looking for exposure at a discount. If successful and continuing to grow and win share, the market is massive. The Global Wellness Institute estimates the total health and wellness industry is a \$4.2T market with over \$600B in global fitness spend. There are 183M global gym members including 62M in the US. Revenue growth has been steady since 2000 and up more than 7% in each of the last three years. PTON estimates that they are only at 4-5% penetration of their TAM. They see over 67M households open to subscription fitness before talking about price points and verticals.