

TOP STORIES

- US, China Set for Talks to Resume on October 10, 11 in Washington
- EU Commission Economic Sentiment Falls to Lowest Level Since 2015
-

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2990.75 (10.25)	12.13
Nasdaq	7813.5 (26.25)	21.51
Dow	26970 (78)	102.88

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7428.17	1.05%
DAX	12398.59	0.90%
Nikkei	21878.9	-0.77%
Hang Seng	25954.81	-0.33%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Durable Goods	
8:30	Personal Income	
10:00	Consumer Sentiment	
12:00	Patrick Harker Speaks	

FOREX

EUR/USD	1.093 (0.11%)
USD/JPY	108.07 (0.23%)
USD/CAD	1.3249 (-0.14%)
GBP/USD	1.2298 (-0.19%)
USD	98.8 (0.04%)

COMMODITY

Oil	55.83 (-1.03%)
Natural Gas	2.41 (-1.35%)
Gold	1499.2 (-1.06%)
Copper	2.5945 (0.66%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.25 (1.82%)
Nasdaq	VXN	19.46 (1.67%)
Oil	OVX	37.74 (-1.65%)
Gold	GVZ	14.99 (-4.03%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning despite some mixed overnight trade. The US and China continue to make small steps towards their October meeting. The two sides have agreed to resume talks on October 10 and 11. China's Liu He will represent Beijing. Trump and Xi are tentatively set to meet in November 16/17 in Chile at APEC. At home, POTUS continues to face pressure from the impeachment advancements. EU and UK leaders are meeting today about Brexit but hopes for any progress towards a resolution are next to zero. Oil is under pressure with Brent down over 1.2%. Silver continues to fade down another 1.7% and nearing a breakdown.

Asian markets closed in the red with the Nikkei down over 1.5% for the week, the worst since August 9th. There are some concerns about corporate governance after a media report about **Kansai Electric**. The firm reportedly received payments from a former municipal official to favor one of its plants. Shares in the company fell 7.5%. Chinese industrial profits fell 2% in August, worse than the 2.6% rise in July. Tokyo CPI cooled in September. **Japan Display** fell 10.5% after a key investor pulled out of their bailout.

European markets are higher to close the week with trade continuing to lift sentiment. Eurozone industrial sentiment fell to -8.8 in September, worse than the -6 forecast. Consumer confidence improved slightly for the month while business climate expectations remained weak. Italian PPI slowed in August to -1.4 vs -1%. German import prices fell in August. Materials are leading with **Norsk Hydro** up 2% after they were given the OK to reopen a plant. Semis like **AMS** and **Infineon** were weak after Micron's warning.

Church and Dwight (CHD) in focus with BAML upgrading to Buy, \$83 PT. The firm sees CHD offering a "brand-building acumen" in a niche portfolio along with an international opportunity that should help sustain its momentum. **Kimberly Clark (KMB)** was also upgraded to Buy.

S&P TECHNICALS

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



3022 Advancing	Declining 4304
38.6%	55.0%
162 New High	New Low 142
53.3%	46.7%
4417 Above SMA50	Below 3318
57.1%	42.9%
4330 Above SMA200	Below 3405
56.0%	44.0%

KEY EVENTS**Economic Data on Monday:** Chicago PMI**Earnings Monday:** CALM, THO**Analyst Events:** IMMU (Sunday)**Conferences:** Berenberg Business Services**ANALYST ACTION/COMMENTS**

China Telecom (CHA) upgraded to Buy at UBS

Applied Genetic (AGTC) upgraded to Buy at BMO Capital

Seattle Genetics (SGEN) upgraded to Buy at Goldman

Match (MTCH) upgraded to Outperform at Evercore

Kimberly Clark (KMB) upgraded to Buy at BAML

Church & Dwight (CHD) upgraded to Buy at BAML

I3 Verticals (IIIV) upgraded to Buy at BAML

TI (TXN) upgraded to Buy at BAML

Western Union (WU) upgraded to Buy at Guggenheim

Ebay (EBAY) downgraded to Neutral at Wells Fargo

Booking (BKNG) downgraded to Neutral at Wells Fargo

Frontdoor (FTDR) downgraded to Neutral at Wells Fargo

Box (BOX) downgraded to Sell at JP Morgan

Accelerate Diagnostics (AXDX) downgraded to Sell at JP Morgan, \$16 PT

Luminex (LMNX) downgraded to Sell at JP Morgan

Atara (ATRA) downgraded to Sell at Goldman

Carnival (CCL) downgraded to Neutral at UBS

Textron (TXT) downgraded to Hold at Vertical

Factset (FDS) downgraded to Sell at BAML

Old Dominion (ODFL) downgraded to Sell at BAML

Maxim (MXIM) downgraded to Sell at BAML

Canopy (CGC) downgraded to Neutral at BAML

Lyft (LYFT) initiated Outperform at Wells Fargo

Coupa (COUP) initiated Outperform at Evercore

Brinker (EAT) initiated Buy at MKM Partners

MEDIA HIGHLIGHTS

Jury finds **Verisk Analytics (VRSK)** infringes patents of Eagleview - Bloomberg

Delta (DAL) to pay \$1.9B for 20% interest in **Latam Airlines (LTM)** - Bloomberg

WeWork halts signing of all new lease agreements - FT

Facebook (FB) negotiating for Sandberg to testify to House in October - Bloomberg

EU expected to commence in-depth probe into **Boeing (BA)**, **Embraer (ERJ)** deal - WSJ

GM and UAW are in late stage talks - WSJ

Marathon Petroleum (MPC) investors seek to oust CEO Heminger - WSJ

Taiwan Semi's (TSM) supply of 16nm, 12nm, 10nm chips 'tight' - DigiTimes

Dell Technologies' (DELL) finance chief spearheads debt reduction moves – WSJ

Apple (AAPL) aims to release films in theaters prior to the streaming release dates – WSJ

Richemont Buys **Buccellati** to Bolster Jewelry Business – Bloomberg

ArcelorMittal (MT) to Review Canada, Brazil Iron Assets – Bloomberg

Credit Suisse (CS) to Decide on Executives' Fate Early Next Week – Bloomberg

DoorDash confirms data breach affecting 4.9M – NY Post

STOCK SPECIFIC NEWS OF NOTE

Personalis (PSNL) receives new \$38M order from VA's Million Veteran Program

Lockheed Martin (LMT) increases share buyback by \$1B

Wyndham Destinations (WYND) provides update on Hurricane Dorian impact

Logitech (LOGI) to acquire Streamlabs for \$89M in cash

Las Vegas Sands (LVS) to replace **Nektar Therapeutics (NKTR)** in S&P 500

Endeavor (EDR) postpones IPO

PPG reports resolution of SEC and DOJ investigations with no financial penalty

Wells Fargo (WFC) names BNY Mellon's Scharf as CEO

PRE-MARKET MOVERS

Moving Higher: LVS 5%, WFC 1.5%

Moving Lower: MU -6%, CGC -3%

INSIDER TRADING (Form 4 Filings)

Buying: BECN, RUN, SOHO, VBIV

Selling: SNX, GPI, FB, SAFM, DXCM, TFX, INVH, SO, EXP, ALL, GD, CECO, BFAM

POTENTIAL SYMPATHY TRADES

WDC, STX – on MU earnings outlook

OPTION HIGHLIGHTS (Prior Day)

Service-Now (NOW) one of several names putting in a strong reversal candle yesterday off recent support and just above the 200-MA and saw 5,000 November \$260 calls bought for \$13.50 and add to open interest where now more than 12,750 sit. NOW has seen buyers recently in the November \$250 calls as recently as 9-9 where over 16,000 sit as well while the \$280 calls with buyers in early August and over 4,000 in OI. Shares have been in a strong multi-year trend and pulling back since July to the 38.2% retracement from the December lows. A move back above the recent range highs targets \$285/\$290. The \$48.2B company trades 29X cash and 16X EV/sales with estimates looking for mid-30% EPS growth and sales up 26% to 28% the next two years. NOW continues to see strong renewal rates, 98% last quarter, while customers with over \$1M in net new ACV was up 33%. NOW continues to have large secular tailwinds in workflow automation which is expected to be a \$165B market by 2023. Analysts have an average target for shares of \$292. Cowen out positive on 9-16 noting that customer demand remains strong in recent checks with no international slowdown nor delayed projects due to the macro. They are bullish on spending in the Fed vertical as they undergo massive digitization efforts. RBC out with a \$320 PT on 9-3 noting that NOW continues to have a large platform opportunity with unparalleled growth at scale. They see room for more share gains with NOW only at 45% penetration in IT service management. Short interest is 3.7% and near its lowest level since 2017. Hedge fund ownership rose 2.85% in Q2. Coatue, Melvin Capital, Lone Pine Capital, Tiger Global, Alkeon, and Whale Rock the top holders in the name.

AFTER HOURS MOVERS

Gainers: LTM 44%, DISCA 3.8%, LVS 3.8%

Losers: PRGS -15%, GOL -11%, MU -7%

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
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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
MSG Networks (MSGN)	Diamond Offshore (DO)	Smile Direct (SDC)
Vereit (VER)	Redfin (RDFN)	Store Cap (STOR)
Sun Run (RUN)	Premier (PINC)	Viking Therapeutics (VKTX)
Owens Corning (OC)	Acuity (AYI)	GTT Comms (GTT)
KB Home (KBH)	Gentex (GNTX)	Beyond Meat (BYND)
Viking (VKTX)	Ameritrade (AMTD)	Sun Run (RUN)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Kforce (KFRC)	Trinity (TRN)	Alder (ALDR)
B2Gold (BTG)	Murphy (MUR)	ConAgra (CAG)
Nabriva (NBRV)	Gentex (GNTX)	Premier (PINC)
Tronox (TROX)	Commscope (COMM)	Gamestop (GME)
Camtek (CAMT)	Alder Bio (ALDR)	Carnival (CCL)
Century Communities (CCS)	Acuity (AYI)	Luckin (LK)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Uniqure (QURE)	Hecla (HL)	Gossamer (GOSS)
Aphria (APHA)	JD.com (JD)	PG&E PCG)
McDermott (MDR)	Taiwan Semi (TSM)	Overstock (OSTK)
Raytheon (RTN)	GE	Solid Bio (SLDB)
DXC Tech (DXC)	MGM Resorts (MGM)	Lannett (LCI)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Gold (GLD)	US Bancorp (USB)	Gentex (GNTX)
Teva Pharma (TEVA)	Cliffs (CLF)	Ameritrade (AMTD)
Square (SQ)	Gilead (GILD)	Sun Run (RUN)
Nio (NIO)	Facebook (FB)	Owens Corning (OC)
Nvidia (NVDA)	Disney (DIS)	KB Home (KBH)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Sun Run (RUN)	Plug Power (PLUG)	KFRC, 1500 October \$35/\$40 call spreads
Marathon (MPC)	Kraft (KHC)	WYNN, 1,000 October \$112/\$97.50 put spreads
Lowe's (LOW)	Stericycle (SRCL)	V, 5,000 October \$175 synthetic long spreads
Advanced Micro (AMD)	Redfin (RDFN)	GWPH, 2000 November \$135/\$155 call spreads
Plantronics (PLT)	Swkyworks (SWKS)	GM, 3,400 November \$37 synthetic long spreads

Stock Specific News

Merger collapse spurs **Philip Morris (PM)** to expand Asia presence – Nikkei

Austria's **AMS** ups takeover offer for German lighting group **Osram** – Reuters

Green Investments Are in the Black as Fossil Fuels Struggle – WSJ

Car Rental Companies **Hertz (HTZ)**, **Avis (CAR)** are Worth Another Ride – WSJ

Google (GOOG) cloud chief says sales growth not impacted by trade war - CNBC

Extras

Ally Financial (ALLY) with 8000 October \$33 puts bought into the close up to \$0.80

Murphy (MUR) with 3000 November \$20 puts bought up to \$1 offer late afternoon

Trade Desk (TTD) stock replacement bought 400 January \$235 calls \$10.85

Square (SQ) with 2000 November 1st (W) \$60 puts opening \$2.63 as Oct. 11th (W) adjusted. SQ also with 1000 June \$65 synthetic long positions opened.

Intercept Pharmaceuticals (ICPT) with 1500 January 2021 \$155 calls opened \$2.30 to \$2.80 with shares at \$63.75 late day

Costco (COST) opening seller of 1000 April \$240 puts \$5.35 to \$5.30

Grainger (GWW) with 300 January 2021 \$300/\$260 strangles bought for \$62.70

Workday (WDAY) has traded down over 20% from 52-week highs over the last two months and trying to put in a weekly reversal candle off of cloud support and holding the 50% retracement of the run from the 2017 lows. WDAY has room back up to \$192 which was a high-volume node from earlier in 2019. Yesterday, the November \$175/\$190 call spread was bought 850X for \$5.50 and also some October \$175 calls bought 1200X around \$4.30, same spot where 1000 were bought on 9-24. WDAY still has 12,500 December \$190 calls in OI from 7-30, although a position which has rolled multiple times. The \$39.26B company trades 20.3X cash and 11.8X EV/sales with 30% EPS growth and 20% revenue growth. WDAY is coming off a strong quarter with 34% subscription growth. They continue to gain share in HCM while their Prism analytics product has a lot of upside and should be a key focal point at their analyst day on 10-15. Analysts have an average target for shares of \$212.50. Keybank with a \$235 PT positive on the company's durable growth trajectory and improving free cash flow margin profile. JMP with a \$225 PT and positive on WDAY's broadening product portfolio, strong momentum in Financials, and its upcoming analytics solutions. Mizuho positive on 8-30 as their macro comments should ease some concerns from investors while WDAY continues to benefit from the secular trends that are driving growth in cloud and share gains in the human capital management and financial markets. Short interest is 3.3% and the lowest level since 2014. Hedge Fund ownership rose 11.2% in Q2. Matrix Capital, Alkeon, Whale Rock Capital, and Melvin Capital notable holders. On 6-17, a director bought near \$200K in stock at \$197.50.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CAMP	CalAmp	\$0.14	\$0.12	\$93.20	\$91.50	-2.90%	FY In Line
JEF	Jefferies	\$0.15	\$0.32	\$857.00	\$1,023.40	-25.50%	
MU	Micron	\$0.56	\$0.48	\$4,870.00	\$4,557.58	-42.30%	FY Light
UEPS	Net 1 UEPS Techs	-\$2.45	-\$0.09	\$71.20	\$67.64	-52.30%	
PRGS	Progress Software	\$0.75	\$0.68	\$115.52	\$110.83	24.60%	FY Light
MTN	Vail Resorts	-\$2.22	-\$2.56	\$244.01	\$239.91	15.30%	

MU – Beat on EPS and Revenues, Guidance Light - "The DRAM and NAND industry demand growth in the second half of calendar 2019, compared to the first half, is primarily being driven by a normalization of inventories at most customers, and secular growth trends in various end markets," the company said. "In recent months, we have seen increased demand from customers headquartered in mainland China, some of whom could be making strategic decisions to build higher levels of inventory in the face of increased trade tensions between the U.S. and China, as well as Japan and Korea. Our view of calendar 2019 DRAM industry bit demand growth remains unchanged at mid-teens, with supply exceeding demand due to previously discussed factors that impacted first half calendar 2019 demand. Based on our early view of calendar 2020, we expect the industry to see bit demand growth of high teens to 20%, above supply growth of only mid-teens, which should help normalize supplier inventories and enable a healthy industry environment. We expect the long-term DRAM bit demand growth CAGR to be mid- to high teens. Turning to NAND industry outlook, demand elasticity and industry supply reductions are resulting in improving market conditions and declining industry inventory. On the supply side, capex and wafer start cuts across the industry are leading to supply reductions. A power outage at a competitor's fab also reduced industry supply and inventory. We now expect calendar 2019 industry bit demand growth in the low to mid 40% range, which will exceed industry bit supply growth of approximately 30%. Based on our view of calendar 2020, we estimate industry bit demand growth of high 20s to low 30% range, with supply growing somewhat below demand. We believe that NAND industry margins, which are at the lowest levels in the last 10 years, should start increasing for the rest of the year. We expect the long-term NAND bit demand growth CAGR to be in the low 30% range."

Small-Cap Focus

Poly (PLT) is a small-cap in focus this week as it works out of a downtrend from the May highs and back above cloud resistance. PLT has also seen plenty of insider buying in 2019 with its CFO adding 2,000 shares in May at \$42.80 and two different directors adding in February, one over \$1M in shares around \$46. The \$1.45B company focuses on integrated communications solutions for companies. The company acquired Polycom earlier this year and the NewCo, Poly, is focused on gaining share in the \$40B UC&C market where they see strong tailwinds as more businesses deploy cloud applications and open

architectures drive the need for a unified endpoint. Their solutions range from video and conference hardware to headsets, software, and services like analytics. PLT has a platform-agnostic solution which allows them to tackle a \$7B enterprise TAM which is growing around 7%. Within video, they see new product introductions like the all-in-one Poly G7500 in the near-term helping them grow and gain share. They work with everything from Microsoft, Cisco, Avaya, Mitel, 8x8, Comcast Zoom, GoTo and more. Currently, the company is working on integration of the deal and driving cost savings as they manage the supply-side through recent tariff introductions. Shares trade 5.8X earnings, 0.75X sales, and 7X cash with a 1.6% yield. Earnings are expected to grow 13.2% and 16.6% the next two years with revenues up 4.5% and then 6%. Short interest is 9% and rising. Hedge fund ownership fell 11% in Q2. Lakewood Capital and Greenhouse Funds two notable holders. MSCO started coverage recently at Overweight with a \$58 PT. The firm thinks the hardware vendor is "uniquely positioned" to benefit from cloud communication transitions. Cowen with a \$67 PT given its position as a leading enterprise supplier of headsets, desktop phones and audio and video conferencing hardware endpoints. PLT has seen some bullish flow as well with another 500 November \$35/\$50 call spreads bought on Wednesday and also yesterday 1,000 October \$40 calls bought to open around \$1.35.