

TOP STORIES

- Japan Factory Output Falls 1.2% in August
- Europe Eyes Escalating Trade with US, Fed Up with US Tactics
- Hong Kong Protests Turn Violent Ahead of China Anniversary
- China PMI Rises to 51.4 in September from 50.4 in August, Above Consensus
- Eurozone Unemployment Hits 11 Year Low in August

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2971 (7.25)	2963 (-0.7)
Nasdaq	7729.25 (28)	22701.6 (0.33)
Dow	26859 (63)	26794.2 (-1.7)

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7408.6	-0.24%
DAX	12382.5	0.01%
Nikkei	21755.85	-0.56%
Hang Seng	26092.3	0.53%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:45	Chicago PMI	49.9
10:30	Dallas Fed Manufacturing	-2.3

FOREX

EUR/USD	1.0921 (-0.18%)
USD/JPY	107.9 (-0.03%)
USD/CAD	1.3245 (0.06%)
GBP/USD	1.2304 (0.16%)

COMMODITY

Oil	55.34 (-1%)
Natural Gas	2.368 (-1.5%)
Gold	1493.2 (-0.88%)
Copper	2.601 (0.13%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	17.22 (7.16%)
Nasdaq	VXN	20.89 (7.62%)
Oil	OVX	38.9 (3.68%)
Gold	GVZ	14.96 (-0.99%)

MARKET OUTLOOK

Stocks are indicating a positive open to the week after Friday's sell off with reports of the China Investment limits being walked back by Trump officials, and a surprise positive PMI report out of China for September boosted sentiment. Developments with the US/China trade talk's remains in focus while US earnings season nears, just two weeks away. Today will mark the final trading day of Q3. Oil and Gold are lower in early trade.

In Europe stocks were little changed as investors shrugged off fresh concerns about US-China trade negotiations and looming tariffs on European imports. JPMorgan raised its rating on euro zone equities to "overweight" on Monday, saying the bloc's battered stocks have been under owned and predicting an opportunity for them to bounce back. GlaxoSmithKline (GSK) gained 1.7% after its maintenance therapy for a form of ovarian cancer reduced the risk of disease progression or death.

The schedule this morning includes Chicago PMI and Dallas Fed as the market looks at a few regional reports.

Verra Mobility (VRRM) in focus today, a strong small cap performer in 2019 with shares of the \$2.24B smart mobility solutions provider +41% YTD. BAML is raising shares to Buy this morning with a \$16 price target citing steady domestic airline booking trends and sees VRRM continuing to benefit from increased rental car penetration while the longer term gives upside on expanded deal wins and increased traction of its new growth initiatives. Verra remains on track to complete the rollout of 300 New York City school zone speed cameras by early-2020. VRRM also continues to see Europe as a large opportunity where it is ramping its tolling business.

S&P TECHNICALS

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



KEY EVENTS

Conferences: ESMO 2019 (ABBV, ADPT, ALKS, AMGN, AVDL, AZN, BAX, BGNE, BMY, CELG, CLVS, DCPH, EXEL, FGEN, GH, GHDX, GSK, GTHX, HALO, ILMN, IMGN, IMMU, INCY, IQV, LLY, MRK, MYGN, NEO, NSTG, NVS, PFE, SGEN, SNY, TAK, TMO, TROV)

Tomorrow... PMI Manufacturing at 9:45 AM, ISM Manufacturing at 10:00, Construction Spending at 10:00

Earnings BMO: MKC

ANALYST ACTION/COMMENTS

CIGNA (CI) Raised to Outperform at BMO; **Humana (HUM)**, **United Health (UNH)** Downgraded to Perform

Urban Outfitters (URBN) Raised to Outperform at Wells Fargo

Wells Fargo (WFC) Raised to Buy at Argus

Emerson (EMR) Raised to Outperform at RBC, \$77 Target

Restaurant Brands (QSR) Raised to Neutral from Underperform at Longbow

Bed Bath (BBBY) Raised to Outperform at Wedbush

Verra Mobility (VRRM) Raised to Buy at BAML

Fabrinet (FN) Raised to Buy at Northland Capital

Taiwan Semi (TSM) Raised to Conviction Buy from Buy at Goldman

US Bancorp (USB) Cut to Underperform at BAML

Xcel Energy (XEL) Cut to Underperform at BAML

Adamas (ADMS) Cut to Underperform at BAML

Murphy Oil (MUR) Started Outperform at BMO, \$27 Target

MEDIA HIGHLIGHTS

Shale Boom Slowing as World Needs Oil Most – WSJ

IPO Sell-Off Creates Opportunity in **Slack (WORK)** – Barron's

Electric-Car Dreams Could Fall a Nickel Short – WSJ

Fed Rate-Cut Pressures E-Brokers – WSJ

Investors are Moving into Storage Units – WSJ

American Air (AAL), **Google (GOOG)**, **Wells Fargo (WFC)** Mentioned Positively in Barron's

Boeing (BA) Omitted Safeguards on 737 Max Used on Military Jet – CNBC

Westpac Banking Considers Selling Life Insurance Business – Reuters

Swedish Infrastructure Investors EQT Buys German Fiber Optic Network Operator Inexio for \$1.1B – Reuters

STOCK SPECIFIC NEWS OF NOTE

Intercept (ICPT) submits NDA to FDA for obeticholic acid

AbbVie (ABBV), **Allergan (AGN)** receive second FTC request regarding merger

Boeing (BA) awarded \$2.63B Air Force contract

Northrop Grumman (NOC) awarded \$1.39B Air Force contract for EGI

Match Group (MTCH) receives DOJ subpoena for documents relating to FTC claims

Dova (DOVA) to be Acquired by Swedish Orphan Biovitrum at \$27.50/Share Cash + CVR

Next-Era (NEE) to Acquire Meade Pipeline for \$1.37B

Cal-Maine (CALM) Reports (\$0.94) EPS In-Line, Revenues \$241.2M vs. \$251.3M

Thor (THO) Reports \$1.67 vs. \$1.46; Revenues \$2.31B vs \$2.35B

Genesco (GCO) Announces \$100M Buyback

Semptra (SRE) to Sell Interest in Peruvian Business for \$3.59B Cash to China Yangtze Power

Colony Capital (CLNY) to Sell Colony Industrial to **Blackstone (BX)** for \$5.9B

PRE-MARKET MOVERS

Moving Higher: DOVA 38%, BABA 2.3%, JD 2.1%, WORK 2%, GSK 1.2%

Moving Lower: AZN -1.3%

INSIDER TRADING (Form 4 Filings)

Buying: HDS, RUN

Selling: CARG, STX, CMG, RL, CRM, ARWR, PLMR

POTENTIAL SYMPATHY TRADES

WGO, LCII, CWH on THO Results

OPTION HIGHLIGHTS (Prior Day)

Polaris (PII) buyer of 1,500 December \$90 calls for \$5.20 in a stock replacement and name which already has 2,000 of the December \$85 calls and 1,000 December \$95/\$115 call spreads in OI from 9-19. Shares are consolidating in a bull flag around the 20- and 50-MA after a move off the recent lows and a move above \$91/\$92 has room up to \$100. Longer-term, PII is working on a big multi-month base under \$100 with positive weekly RSI divergence. November is seasonally one of the strongest months of the year for shares ahead of the Winter push. The \$5.4B company trades 12.9X earnings, 0.8X sales, and 49.5X FCF with a 2.8% yield. They see EPS growth of 7.8% and then 9.65% the next two years with revenue growth of 3.5% to 4%. PII has been working to stabilize margins in the face of tariff headwinds and seeing positive volumes at their Indian Motorcycles business as well as their boating business. PII is lapping some tougher comps and reports of a heavier winter in parts of the US could be a tailwind for their snowmobile unit which has unveiled new models recently. Analysts have an average target for shares of \$107. UBS upgrading to Buy on 7-31 with a \$105 PT seeing shares pricing in the tariff risk. Raymond James with a Strong Buy and \$108 PT noting the core business continues to improve despite the macro headwinds and set to accelerate once US/China issues are settled. Lake Street with \$112 PT. Short interest is 6% and at the lowest level since August 2014. Hedge fund ownership rose 33.5% in Q2. Insiders were very active in the name at slightly higher prices in 2018 with over \$1.2M in stock bought by four different directors and the CEO buying \$312K in stock at \$104/\$105.

AFTER HOURS MOVERS

Gainers: ICPT 3.7%, ISRG 2.9%, WORK 2.7%, CCI 1.8%, DG 1.6%

Losers: JAG -2%, HOME -1.3%, MTCH -1%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.68	Rising – Cautious
CBOE Index Put/Call Ratio	1.23	Elevated – Cautious
CBOE Skew Index	116.61	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	52	Neutral
NYMO	-19.7	Modestly Oversold
NYSE New Highs – New Lows	40	Neutral
McClellan Summation	734.57	Below 8-EMA
Univ. of Michigan Consumer Sentiment	92.3 (August)	Weakening

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

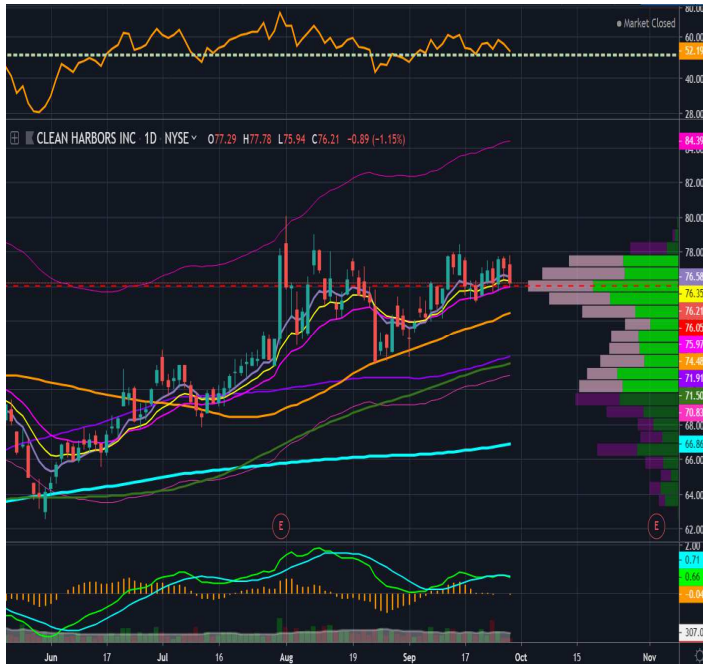
Five clinical-stage biotech companies will debut **ADCT**, **APRE**, **FREQ**, **MNPR**, and **VIE**

SECONDARY MONITOR

TRADE

WEEKLY TECHNICAL BREAKOUT

CLH:



Clean Harbors (CLH) showing impressive relative strength with shares consolidation beneath the \$78 level, riding the 21 day EMA as support. Shares can target a move to \$85 on a breakout.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Carpenter Tech (CRS)

Price: \$51.54

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	9.8X	1.04X	1.62X	7.2X	183X
Industry Avg.	11X	1.2X	1.8X	9X	35X

Analysis: CRS is a \$2.47B maker of specialty metals operating in a specialty alloys and performance engineered products segment. Shares trade at an attractive valuation while offering a 1.55% dividend yield and impressive top and bottom-line growth. It has seen strong backlog growth in both the Aero/Defense and Medical businesses. It is coming off its strongest quarterly operating income quarter in six years.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

TPX:



Tempur Sealy (TPX) closed last week below the rising 89 day MA and broke a significant support level with a large volume pocket below. Shares can move back to the mid-\$60's as upward momentum is broken.

PAIR TRADE OF THE WEEK

Industry: Lodging

Long/Short: Long **Expedia (EXPE)** / Short **Marriott (MAR)**

Analysis: EXPE with a \$19.47B market cap is trading 16.2X Earnings and 9.2X EBITDA with a top-line growing 8-10% per year and 15%+ bottom-line growth. EXPE owns Home-Away which along with Airbnb continues to disrupt the traditional hotel operators. MAR has a \$40B market cap and trades 18X Earnings and 13.8X EBITDA while seeing much weaker growth, EPS down 2.8% Y/Y in 2019.

SMALL CAP TRADE OF THE WEEK

LivePerson (LPSN) is a \$2.4B software provider trading at a reasonable valuation of 7.8X EV/Sales while still delivering 15% revenue growth and seeing a strong future path to profitability. LPSN is targeting the field of conversational commerce and sees a \$60B market opportunity. The future is massive with an example being LPSN recently tested a food ordering service via mobile messaging at sporting venues. It is disrupting and replacing voice calls, web site apps, and retail store traffic. It continues to build out the sales force and posted a 75% growth in 1H bookings. I see LPSN as a likely M&A target on the future.

DAILY OPTIONS REPORT

Unusual Call Activity

Petmed (PETS)

American Outdoor (AOBC)

Voya (VOYA)

Coherus Bio (CHRS)

Smile Direct (SDC)

Qiagen (QGEN)

Unusual Put Activity

Noah Holdings (NOAH)

McKesson (MCK)

American Axle (AXL)

Alder (ALDR)

Guidewire (GWRE)

Premier (PINC)

Implied Volatility Riser

Nio (NIO)

Petmed (PETS)

Alder (ALDR)

Nordic American (NAT)

Neptune (NEPT)

Accelerate Diagnostics (AXDX)

Lowest Put/Call Ratio

Duke Realty (DRE)

Pro Petro (PUMP)

Nexstar (NXST)

B2Gold (BTG)

Yirendai (YRD)

Trimble (TRMB)

Highest Put/Call Ratio

Jagged Peak (JAG)

Huazhu (HTHT)

Noah Holdings (NOAH)

Immersion (IMMR)

Designer Brands (DBI)

Alder (ALDR)

Implied Volatility Decliner

Progress (PRGS)

Endurance (EIGI)

Micron (MU)

CelSci (CVM)

Infinera (INFN)

Rite Aid (RAD)

OTM Calls on Offer

Smile Direct (SDC)

Condent (CNDT)

Boyd Gaming (BYD)

Axalta (AXTA)

Petmed (PETS)

OTM Puts on Offer

CelSci (CVM)

Transocean (RIG)

NYC Bank (NYCB)

Seagate (STX)

Mattel (MAT)

Elevated IV30

PG&E (PCG)

Overstock (OSTK)

Gossamer (GOSS)

G1 Therapeutics (GTHX)

Dova (DOVA)

Positive Net Delta

Ford Motor (F)

Silver (SLV)

Nvidia (NVDA)

MSG Networks (MSGN)

Smile Direct (SDC)

Negative Net Delta

Lowes (LOW)

Advanced Micro (AMD)

Apple (AAPL)

JD.com (JD)

Las Vegas Sands (LVS)

Option Volume Gainers (%)

Noah Holdings (NOAH)

McKesson (MCK)

American Axle (AXL)

Smile Direct (SDC)

Qiagen (QGEN)

Bullish Call Flow

Axsome (AXSM)

Bluebird (BLUE)

T Mobile (TMUS)

American Air (AAL)

Morgan Stanley (MS)

Bearish Put Flow

Bilibili (BILI)

Seagate (STX)

Tencent Music (TME)

Noah Holdings (NOAH)

Luckin (LK)

Large Spread Trades

CGC, 3,000 November \$30 synthetic short spreads

BX, Jan. 2020 \$45/\$40 put spread 5000X

AMGN, 1000 January \$200/\$170 put spreads

GH, 1,000 October \$70/\$75 call spreads

DE, November \$165/\$185 call spread 600X1,200

Extras

TAL Education (TAL) seller of 750 May \$30 puts for \$2.60, stock replacement and common strategy in the name. **New Oriental (EDU)** similarly seeing 450 April \$95 puts sold to open for \$7.70 to \$7.50

Coupa (COUP) afternoon buyers opening 500 December \$120 puts for \$10.15 to \$10.80

Aflac (AFL) late day spread are buying 500 January 2021 \$52.50 calls for \$4.59 and selling the \$45 puts 1000X for \$2.51

Ingersoll Rand (IR) sellers of 800 November \$120 puts for \$2.95 down to \$2.80 this afternoon, coiled name above its 20-day

MSCI buyers of 400 February \$185 puts for \$7.40

Canadian Imperial (CM) with 700 March \$70 calls opening \$13.20 to \$13.40

General Motors (GM) late day buyer of 10,000 October \$38 calls for \$0.65, rolling back the \$40 calls

Five Below (FIVE) the November \$130/\$140 call spread bought 1200X2400 for \$1.70

Cloudflare (NET) recent IPO seeing 1,200 May \$12.50 puts sold to open \$1.35 down to \$1.10

Medifast (MED) buyer of 330 March \$120/\$150 call spreads with the \$70 puts sold, net \$0.90

Middleby (MIDD) buyer of 250 December \$115 calls for \$7.10 in a stock replacement