

TOP STORIES

- Hong Kong Leader Withdraws Extradition Bill
- BOJ's Kataoka Calls for Preemptive Easing
- UK PM Johnson Pushes Britain to Brink of an Election Amid Brexit Turmoil
- Fed's Bullard: 50 Bps Reduction is Warranted; Rosengren Unconvinced Cut Needed at All
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2928.5 (22.5)	21.98
Nasdaq	7694.75 (77.25)	81.24
Dow	26317 (195)	194.98

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7291.79	0.32%
DAX	12027.94	0.98%
Nikkei	20649	0.12%
Hang Seng	26523.23	3.90%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
	Motor Vehicle Sales	
8:30	Int'l Trade	
9:30	John Williams Speaks	
10:00	Robert Kaplan Speaks	
12:30	Michelle Bowman Speaks	
12:30	James Bullard Speaks	
1:00	Neel Kashkari Speaks	

FOREX

EUR/USD	1.1014 (0.38%)
USD/JPY	106.23 (0.29%)
USD/CAD	1.3319 (-0.10%)
GBP/USD	1.2192 (0.89%)
USD	98.55 (-0.41%)

COMMODITY

Oil	54.47 (0.98%)
Natural Gas	2.35 (-0.35%)
Gold	1545.3 (-0.68%)
Copper	2.569 (1.62%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	20.12 (6.01%)
Nasdaq	VXN	23.7 (5.85%)
Oil	OVX	35.27 (9.67%)
Gold	GVZ	16.82 (8.8%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning with political tensions easing in Italy and Hong Kong. The MSCI Hong Kong rose 5.4% after leader Carrie Lam pulled the controversial extradition bill. The bill has driven mass protests in the region since it was drafted. We had more ECB policymakers push back against the resumption of asset buying and other easing. Francois Villeroy de Galhau becomes the latest skeptic ahead of the 9-12 meeting. A number of Fed speakers overnight continuing to jostle into the September meeting. James Bullard was out advocating for an aggressive step to align the Fed with the markets and calling for a 50 bps cut. Eric Rosengren saw no need for immediate easing. Oil is strong up 1.25%. Platinum up 2.25% and copper up 1.65% with metals remaining in nice trends. The Dollar faded a bit.

Asian stocks were mixed this morning with China jumping as tensions over Hong Kong ease. The Nikkei rose marginally. Japanese services PMI came in light at 53.3 vs 53.4. Hong Kong manufacturing PMI slowed in August to 40.8 vs 43.8. China's Caixin services PMI came in stronger than expected at 52.1. The BOJ's Kataoka, a board member, spoke overnight and called for preemptive easing in monetary policy warning the risks of inflation spreading through the economy were too great. **Fast Retailing** rose 1% after comps at Uniqlo rose nearly 10% in August. **Nintendo** higher by 2.6% ahead of Thursday announcement in Japan with product updates expected.

European markets are strong this morning as political tensions in Italy and the UK calm. In the UK, snap elections look like the most likely scenario amid Brexit turmoil. Italian 5-Star Members backed a proposed coalition with the Democrats. Eurozone retail sales slowed less than expected at 2.2% vs 2% forecast. Services PMI came in at 53.5 vs 53.4 while composite PMI was 51.9 vs 51.8. UK services PMI came in light at 50.6 while data across Germany and France was strong. Asia-exposed banks like **HSBC** and **Prudential** were strong with the HK extradition bill pulled. Luxury stocks were also strong with **LVMH**, **Richemont**, and **Kering** all up 3.5% to 4%.

S&P TECHNICALS

Levels: Support 2,825/2,800; Resistance 2,975/3,000



2171 Advancing	Declining 5216
28.1%	67.5%
275 New High	New Low 261
51.3%	48.7%
2534 Above SMA50	Below 5106
33.2%	66.8%
3434 Above SMA200	Below 4206
44.9%	55.1%

KEY EVENTS TODAY

Earnings After the Close: AVAV, HOME, CLDR, CPRT, DSGX, MDB, PANW, PVTI, REVG, WORK, SMAR, VRNT

Analyst Days: GNRC, HUBS, MTSC

Conferences: Cowen Transports, DA Davidson Tech, Baird Healthcare, Citi Tech, Wells Fargo Healthcare, Keefe Bruyette Insurance

Tomorrow... ADP Employment at 8:15 AM, Jobless Claims at 8:30, Productivity and Costs at 8:30, PMI Services at 9:45, Factory Orders at 10:00, ISM Non-Manufacturing at 10:00, EIA Nat Gas at 10:30, EIA Petroleum at 11:00

ANALYST ACTION/COMMENTS

Campbell Soup (CPB) upgraded to Neutral at Piper

BHP Billiton (BHP) upgraded to Hold at Deutsche Bank

Emergent Bio (EBS) upgraded to Outperform at Wells Fargo

Brunswick (BC) upgraded to Buy at Jefferies

Equinor (EQNR) upgraded to Outperform at CSFB

Stamps.com (STMP) upgraded to Neutral at Roth

TripAdvisor (TRIP) upgraded to Neutral at UBS

Kite Realty (KRG) upgraded to Neutral at Compass

Intercept (ICPT) upgraded to Buy at Citi, \$85 PT

Activision (ATVI) upgraded to Outperform at BMO

eBay (EBAY) downgraded to Neutral at UBS

Kimco (KIM) downgraded to Sell at Compass Point

WEC Energy (WEC) downgraded to Neutral at Guggenheim

G-III Apparel (GIII) downgraded to Hold at BAML

Stone (STNE) initiated Buy at Guggenheim, \$38 PT

Centennial (CDEV) initiated Buy at MKM Partners

Five 9 (FIVN) initiated Neutral at Rosenblatt

Clear Channel (CCO) initiated Neutral at Citi

Nice (NICE) initiated Buy at Rosenblatt, \$187 PT

Innospec (IOSP) initiated Buy at CL King

MEDIA HIGHLIGHTS

SoftBank more than \$600M underwater on **Uber (UBER)** investment - CNBC

Amazon.com (AMZN) testing hand ID payment system at Whole Foods - NY Post

Germany aims to create new European cloud company in October named Gaia-X – Handelsblatt

Ebay's (EBAY) Stubhub is receiving interest from **KKR (KKR)** and **Vivid** – Bloomberg

Apple (AAPL) aims to introduce a new low cost iPhone in 2020. Nikkei

Alibaba (BABA) near deal to acquire **NetEase's (NTES)** cross-border e-commerce unit - Tech Crunch

WeWork aiming for IPO roadshow next week – Bloomberg

Global semiconductor sales continue to drop – Digitime

Porsche Unveils Its First-Ever Electric Car – Bloomberg

Casio's G-Shock sales in China help company profits top forecasts – Nikkei

Hard Rock International eyes bid for Greek tourist resort casino license for \$1.1B – Reuters

German chemicals industry cuts full-year production, revenue forecast – Reuters

An All-American Pickup Fight Is Revving Up (**TSLA**) – WSJ

Home-Improvement Stocks Sitting Pretty (**HD, LOW**) - WSJ

STOCK SPECIFIC NEWS OF NOTE

Lumber Liquidators (LL) founder seeks talks about possible Cabinets to Go combination

Starboard Value discloses 7.5% activist stake in **Box (BOX)**

Realty Income (O) acquires portfolio of properties for \$1.25B; raises FY outlook

Camping World (CWH) evaluating shift or closing of up to 37 retail locations

Puma Biotechnology's (PBYD) Nerlynx gets FDA orphan drug designation

Tyson (TSN) lowers FY outlook on 'short-term' challenges

Ultragenyx (RARE) says three DTX401 patients in cohort 2 have shown clinical response

Eldorado (ERI) says CEO Tom Reeg receives subpoena in SEC trading probe

PRE-MARKET MOVERS

Moving Higher: MIK 18.8%, WYNN 3.5%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: BGG, EPC, POST, ABBV, ASYS, ICPT

Selling: SEDG, CHD, SKY, TTMI, TSS, XEL, RMD, S, SYK, ORA, RSG, QDEL, XLNX, MU

POTENTIAL SYMPATHY TRADES

CPRI, TPR – on HK tensions easing

PCAR, CMI – on NAV earnings

OPTION HIGHLIGHTS (Prior Day)

Bausch Health (BHC) with 10,000 April \$25 calls bought to open up to \$1.68 and later nearly 500 April \$19 calls bought for \$4.30 while some \$18 and \$20 calls also active. BHC has some sizable OTM Oct. \$25 calls in OI from June, over 20,000, while the \$25 short puts with over 15,000 as well and underwater. Shares have pulled back to the \$21/\$20 level which has been key support multiple times since mid-2018 and current range targets a move back to \$25/\$26. A breakout of this multi-month range targets \$36. The \$7.58B company trades 4.92X earnings, 0.90X sales, and 5.68X FCF. BHC has a lot of debt on the balance sheet but outlining a strategic plan to pay down their obligations a few years ago while balancing 25% growth in R&D spend. Since 2016, the company has cut down debt by \$8B. BHC expects earnings growth to accelerate through FY21, up 3.2% and then 15.89% while sales growth up 3%. BHC is coming off a strong quarter with Salix up 15% and raising their FY outlook behind expected uptake in a suite of new products like Trulance, Lotemax, and Duobrii. Analysts have an average target for shares of \$30. HCW raising their PT to \$54 on 8-7 and the firm believes the company's flagship Bausch + Lomb division "continues to perform robustly." Barclays positive on 7-8 citing improving fundamentals and improvement in the balance sheet, while Xifaxan demand remains "healthy" and the June launches of Duobrii and ULTRA Multifocal Lenses support their longer-term growth forecast. Short interest is 2.9% and near its lowest levels since 2016. Hedge Fund ownership fell 3.7%. Paulson a top holder with 20.8M shares while ValueAct the second largest holder with 17.9M shares. Glenview, Orbimed, and Perceptive also notable holders. BHC has seen a number of insider buys this year. On 8-20, the Pres. Of Dermatologics bought \$650K in stock at \$21.18 while in February CEO Joe Papa bought \$710K of stock at \$23.67. BHC will be at the Morgan Stanley conference on 9/9 to 9/11 and the Deutsche Bank conference on 9/23 to 9/25.

AFTER HOURS MOVERS

Gainers: COUP 10.6%, PBVI 8.8%, BOX 8%

Losers: TSN -5.8%, AERI -3.7%, Z -3%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.666	Rising – Overly Pessimistic
CBOE Index Put/Call Ratio	1.181	Rising – Overly Pessimistic
CBOE Skew Index	115.37	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	23	Extreme Fear
NYMO	28.64	Neutral Positive
NYSE New Highs – New Lows	59	Neutral
McClellan Summation	312.15	Rising – Crossing Above 8-EMA
Univ. of Michigan Consumer Sentiment	89.8 (August Final)	-6.7% Y/Y

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Scheduled at this Time

SECONDARY MONITOR

Zillow (Z) announces offering of convertible senior notes totaling \$1B

Addus Homecare (ADUS) announces offering of 2M shares

Restaurant Brands (QSR) announces offering of 16.96M shares of stock for holders, priced \$75.50

PRA Health (PRAH) secondary priced \$97.50 for 6.6M shares

Aerie (AERI) announces offering of \$250M in senior notes

TRADE

WEEKLY TECHNICAL BREAKOUT

NICE:



Nice (NICE) shares consolidating in a multi-week bull flag under \$155 with a breakout targeting \$162.50. NICE has shown relative strength and trending above its 8- and 20-MA with MACD nearing a bull crossover. RSI is back around 60 and in a narrow channel down.

FUNDAMENTAL TRADE OF THE WEEK

Stock: FTI Consulting (FCN)

Price: \$108

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	20.4X	1.85X	2.9X	13.4X	23.9X
Industry Avg.	46.8X	2.2X	5X	17.8X	29.4X

Analysis: FCN is a \$4B provider of business advisory services to help companies through periods of change or dispute. They focus on restructuring, interim management, and transaction advisory services. Shares trade 20.4X earnings and 1.85X sales with mid-teens growth and raised their outlook in July. FCN is expanding into new verticals like cyber, global construction, and transformation advising and could be a nice counter-cyclical play if we see a period of economic contraction.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

AIG:



AIG (AIG) shares are rolling over below multi-week support at \$52.25 and cloud support for the first time since January. A move lower targets \$48 and the low-end of a big volume node from April/May earnings. RSI is under 40 and MACD is below zero but may see a short-term bounce.

PAIR TRADE OF THE WEEK

Industry: Housewares

Long/Short: Long **Helen of Troy (HELE)**; Short **Clorox (CLX)**

Analysis: HELE is a \$3.85B maker of household products maker undergoing a transformation to drive 2.5% to 3.5% organic growth with a lot of runway for Oxo. CLX is seeing decelerating revenue growth with more competition in bags, wraps, and wipes while also focusing on higher spend rates in marketing/advertising.

SMALL CAP TRADE OF THE WEEK

Anixter (AXE) is a \$2B industrial equipment maker which focuses on enterprise cabling, electrical wire, and utility power solutions. AXE could come into focus in the coming months with their storm and event response focus after Hurricane Dorian as they help restore the power grid and rebuild damaged infrastructure. Shares trade 8.5X earnings, 0.23X sales, and 38.6X cash with high-single digit growth.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Ichor (ICHR)

Telefonica (TEF)

Michaels (MIK)

RPC (RES)

Michaels (MIK)

Aimmune (AIMT)

Red Rock (RRR)

Owens and Minor (OMI)

Stitch Fix (SFIX)

Lions Gate (LGF/A)

Cerus (CERS)

Altaba (AABA)

Ulta Beauty (ULTA)

Universal Insurance (UVE)

At Home (HOME)

Intel-Sat (I)

El Dorado (ERI)

Overstock (OSTK)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

B2Gold (BTG)

Alarm (ALRM)

Riot Blockchain (RIOT)

Berry Global (BERY)

BioMarin (BMRN)

Conns (CONN)

Autoliv (ALV)

Immersion (IMMR)

Medicine Co (MDCO)

AerCap (AER)

Ares Capital (ARCC)

Bed Bath (BBBY)

Ally (ALLY)

Tencent Music (TME)

Exelixis (EXEL)

Meritor (MTOR)

Delphi (DLPH)

CBS Corp (CBS)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Michaels (MIK)

G-III Apparel (GIII)

Xeris (XERS)

Hecla Mining (HL)

Medicine Co (MDCO)

Adverum (ADVM)

Dell Tech (DELL)

Nio (NIO)

Aimmune (AIMT)

Micron (MU)

Freeport (FCX)

PGE&E (PCG)

Snap (SNAP)

Tesla (TSLA)

Fastly (FSLY)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Nio (NIO)

Concho (CXO)

Cerus (CERS)

Michaels (MIK)

Gold (GLD)

Universal Insurance (UVE)

Bank of America (BAC)

Cliff's (CLF)

El Dorado (ERI)

Bausch Health (BHC)

Home Depot (HD)

Ulta Beauty (ULTA)

Gap (GPS)

Hess Corp (HES)

Intel-Sat (I)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Twitter (TWTR)

HSBC

SRPT, 2000 October \$95/\$120 call spreads

Enphase (ENPH)

Restaurant Brands (QSR)

ABBV, 1,750 February \$60/\$55 put spreads

Northrop Grumman (NOC)

Boeing (BA)

NOC, 600 Oct. 11th (W)
\$367.50/\$372.50 call spreads

Capital One (COF)

Wells Fargo (WFC)

LRCX, November \$210/\$190 put spread bought 550X1,100

Motorola (MSI)

Biomarin (BMRN)

APPN, 500 November \$55/\$40 put spreads

Stock Specific News

Tapestry (TPR) appoints Jide Zeitlin as CEO

Merck's (MRK) Keytruda combination with Inlyta approved in Europe for carcinoma

OpGen (OPGN), Curetis announce definitive agreement to combine businesses

Commvault (CVLT) acquires Hedvig for \$225M

Fortive (FTV) announces intention to separate into two independent companies

CME Group (CME) reports August ADV up 53%

Extras

Aerie Pharma (AERI) into lows with a spread buying 2000 November \$22.5 calls for \$2.30 and selling December \$30 calls at \$1

Trade Desk (TTD) buyer of 200 November \$235 puts to open \$26 to \$26.50

Z-Scaler (ZS) with 495 June \$55 calls opened deep ITM as January adjusted

Medifast (MED) late IV surge with 700 December \$110 ITM puts opening \$17.50 to \$18

Insulet (PODD) with 450 December \$180 calls sold to buy the \$150 puts at a \$5.40 debit, into new highs likely collaring a stock position

Take Two (TTWO) with 1000 Sep. 13th (W) \$132 calls opening \$2.80

United Tech (UTX) shares setting up well below downtrend resistance around \$131 and bouncing yesterday off the rising 8-EMA. Shares pulled back to the 50% retracement of the rally in late December and forming a multi-month base with a breakout targeting \$155. MACD has pulled back around zero and curling higher on the weekly while the daily crossed over recently. UTX has seen bullish flow lately with 2,900 Oct. \$115/\$105 bull risk reversals bought on 8-26, 500 June 2020 \$110 puts sold to open on 8-15, and 2,000 January \$135 calls bought for \$6.20 on 8-9. The \$110.66B defense firm trades 14.66X earnings, 1.53X sales, and 16.23X cash with a 2.28% yield. UTX sees 8.99% and 10.5% EPS growth and 4.6% and 4.37% revenue growth the next two years. The company also announced a plan for \$20B in shareholder returns by 2023. UTX is coming off of a strong quarter and raising their outlook behind strength in Collins Aerospace. The company remains on to spin out both Otis and Carrier in the 1H of 2020, two lagging segments. In June they announced a transformational deal for Raytheon (RTN) which gives them the size and scale to compete for a number of new projects on the aerospace side. They expect to see \$1B in gross cost synergies by year four. Analysts have an average target for shares of \$152. Cowen upgrading to Outperform in late June with a \$150 PT. The firm is positive on the proposed Raytheon merger, seeing synergies in hypersonics, directed energy, ISR, cyber protection for connected aircraft, and air traffic control. They also like UTX for the extended Aerospace cash ramp as they see a likely multiyear margin/cash flow ramp in that space. Short interest is 0.7%. Hedge Fund ownership rose 3.3% in Q2. Viking Global, Third Point, Soroban Capital, Fisher Asset Management and Diamond Hill all notable holders. Pershing Square sold their entire 5.8M share position. In May 2018, a director bought \$1M in stock at \$121.58.

Insider Focus

Post Holdings (POST) with a notable insider buy last week from President of Michael Foods Mark Westphal of 2,000 shares around \$98, a more than \$196K buy. This follows two sizable buys earlier in the year in the name from Director William Stirtz around the same price (\$96.71 and \$97.75) for more than \$16M in stock. POST shares have traded higher by nearly 15% for the year but down around 3.5% this quarter and back around a key breakout spot from early in the year. The \$7.36B company trades 18.5X earnings, 1.25X sales, and 20.2X cash. POST expects 17% and 13.2% EPS growth through FY21 with sales up 5% next year. POST is coming off a big year for its portfolio after acquiring Bob Evans in 2017 and expanding their frozen food selections. POST has made some smaller deals this year including the ready-to-eat cereal business from TreeHouse and preparing to spin off of their Active Nutrition business into a separate company. The former has been held up by FTC review and both actions expected this Fall. Analysts have an average target for shares of \$122 with 9 buy ratings and 1 hold. Goldman upgrading to Buy in May with a \$134 PT. They think transient headwinds, such as a retail inventory de-stock in the U.S. cereal business and weather-related disruptions in its refrigerated foods segment, have weighed on results while the global cereal business is poised to return to EBITDA growth. The firm also sees the potential for additional value-unlocking disposals. Piper upgrading to Buy on 7-19 after the Active Nutrition IPO. The firm expects "good" organic sales growth and still consider Post's portfolio attractive for cash generation. They have a SOTP valuation of \$130-\$145. Short interest is 3%. Hedge Fund ownership rose 4.9% in Q2. Route One Investment a notable concentrated holder with 5.9M shares, a 19% weight in their portfolio.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
COUP	Coupa Software	\$0.07	-\$0.11	\$95.00	\$85.38	54.00%	
EGAN	eGain Comm.	\$0.02	\$0.02	\$16.82	\$16.46	7.90%	
GSM	Ferroglobe PLC	-\$0.13	-\$0.10	\$409.47	\$446.01	-29.10%	
HQY	HealthEquity	\$0.45	\$0.35	\$86.60	\$85.33	21.80%	
AEO	American Eagle		\$0.32		\$1,004.74		
MIK	Michaels Stores	\$0.19	\$0.14	\$1,033.70	\$1,019.22	-1.90%	
NAV	Navistar	\$1.56	\$1.21	\$3,024.00	\$2,923.80	16.00%	
VRA	Vera Bradley		\$0.27		\$117.35		

Coupa Software (COUP) CEO Rob Bernshteyn on subscription growth and customer base... I would say on the revenue side there's a couple of very interesting and frankly promising developments. Our mid-market engine is really working. Just to give you a sense for that. In Q2, we closed our largest mid-market deal in company history. I would say our enterprise business is going quite well also. In fact in enterprise we also closed one of the largest deals just in Q2. Now, in terms of global expansion, global

expansion is something we continue to manage very carefully. We're very sales and marketing efficient as we go in to these new markets and we develop our way in. So it really comes back to this model that we've been working on for 42 quarters now, staying within the tight band of sales and marketing efficiency and continuing to drive topline expansion. One of the framing that you may appreciate, Alex, is just thinking about it in terms of price, speed and win/loss, the three components of driving revenue. On the price side our average ARR per logo has gone up sequentially and virtually every quarter since IPO and beyond that. And that's in total as well as by segment. In terms of speed, our speed of close has stayed relatively steady at four to six months for mid-market and call it six to 12 months for enterprise. And around win/loss I could tell you qualitatively, and I've said this in the past, that our strong senses that only competition here is ourselves and our ability to lead this developing market. So, as new components come online, we're there to service them. So either way you want to look at it that's what happening in our world.