

TOP STORIES

- Global Markets Edge Higher Ahead of ECB This Week, Further Easing Expected
- China Exports Unexpectedly Fall in August
- Japan's Economy Grew Less Than First Estimated in Second Quarter
- Oil Extends Gain as Saudi Minister Ousted Before OPEC Meeting
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2988 (7.25)	9.04
Nasdaq	7874 (16.25)	18.46
Dow	26861 (53)	60.54

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7240.19	-0.58%
DAX	12237.6	0.38%
Nikkei	21318.42	0.56%
Hang Seng	26681.4	-0.04%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
3:00	Consumer Credit	

FOREX

EUR/USD	1.1024 (-0.03%)
USD/JPY	106.98 (0.07%)
USD/CAD	1.3157 (-0.10%)
GBP/USD	1.2358 (0.63%)
USD	98.33 (-0.03%)

COMMODITY

Oil	56.94 (0.74%)
Natural Gas	2.524 (1.12%)
Gold	1517.8 (0.15%)
Copper	2.6215 (-0.47%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.00 (-7.81%)
Nasdaq	VXN	18.82 (-5.47%)
Oil	OVX	33.21 (-0.87%)
Gold	GVZ	14.75 (-6.17%)

MARKET OUTLOOK

Futures are indicating a slightly higher open as markets look forward to the ECB announcement later this week and potential for more stimulus. Expectations are high with many looking for a cut into negative territory as the most likely scenario with further actions also on the table. The ECB will set the table for a big following week with the FOMC, BOJ, and SNB all likely to ease as well. Oil is slightly higher this morning and continues to work slowly out of a multi-week range. Silver and Gold are rebounding modestly.

Asian markets were mixed overnight with China lagging. The Nikkei finished at six-week highs. Sentiment was positive with hopes for stimulus later this week from the ECB while Hong Kong tensions eased. Energy stocks leading today up over 1.6% on the morning. Regional banks strong today after two local players announced a capital tie-up plan. **Nissan** was down slightly as its CEO is close to stepping down. Chinese exports fell 1% in August, weaker than the 2% growth expected, while imports fell less than expected. Japanese GDP was 1.3% in Q2, as expected. Capital expenditures slowed to 0.2% vs 0.7%.

European markets are mixed this morning with the FTSE again lagging in the UK. The DAX dipped near the open but has found its footing and near mid-day highs. EU investor confidence rose slightly in September to -11.1 vs -14. German imports slowed to -1.5% vs -0.3% forecast while exports rose slightly by 0.7%. In the UK, GDP was flat for the month while industrial production and manufacturing production both surprised to the upside. **Air France** down almost 8% this morning after weak August numbers while **IAG** fell 2.5%.

Mirati (MRTX) in focus today after data this weekend from peer **Amgen (AMGN)** and an upgrade from Jefferies to Buy. The firm thinks the bar for initial MRTX data has been lowered. The analyst notes that pharmacokinetic variability could become a liability for Amgen, which opens the window wider for Mirati's MRTX849 to be "best-in-class."

S&P TECHNICALS

Levels: Support 2,825/2,800; Resistance 3,000/3,060



3930 Advancing	Declining 3300
50.9%	42.7%
217 New High	New Low 78
73.6%	26.4%
3696 Above SMA50	Below 3944
48.4%	51.6%
3966 Above SMA200	Below 3674
51.9%	48.1%

KEY EVENTS TODAY

Earnings AMC: CASY, CTRP, PHR

Analyst Meetings: CR

Conferences: MSCO LatAm Conference, CLSA Investor Forum, UBS Leisure and Transports, CSFB Steel and Mining Conference, MSCO Healthcare, Barclays Financial Services, CSFB Materials Conference, Janney Healthcare

Tomorrow... NFIB Small Business at 6:00 AM, JOLTS at 10:00. **Earnings BMO:** HDS

ANALYST ACTION/COMMENTS

Las Vegas Sands (LVS) upgraded to Buy at Deutsche Bank

Ally Financial (ALLY) upgraded to Overweight at Stephens

Chegg (CHGG) upgraded to Buy at Jefferies

Entergy (ETR) upgraded to Overweight at JP Morgan

F5 Networks (FFIV) upgraded to Overweight at Piper

Genesco (GCO) upgraded to Buy at Pivotal

Health Equity (HQY) upgraded to Strong Buy at Raymond James, \$80 PT

Energizer (ENR) upgraded to Buy at BAML

Chipotle (CMG) upgraded to Outperform at Wedbush

Mercado Libre (MELI) upgraded to Buy at HSBC

Mirati (MRTX) upgraded to Buy at Jefferies

Newmont (NEM) upgraded to Neutral at RBC Capital

NetApp (NTAP), Nutanix (NTNX), Pure Storage (PSTG) upgraded to Positive at Susquehanna

Science Applications (SAIC) upgraded to Buy at Cowen

Diamond Offshore (DO) downgraded to Hold at Pareto

E-Trade (ETFC) downgraded to Neutral at Keefe Bruyette

Fox (FOXA) downgraded to Sell at Macquarie

InterXion (INXN) downgraded to Neutral at Wells Fargo

Wellcare (WCG) downgraded to Neutral at Stephens

Covetrus (CVET) initiated Sell at Goldman, \$11 PT

Idexx Labs (IDXX) initiated Neutral at Goldman

Zoetis (ZTS) initiated Conviction Buy at Goldman

Murphy (MUR) initiated Overweight at Keybank

MEDIA HIGHLIGHTS

DOJ requests documents from **Alphabet (GOOG)** in civil antitrust probe - Bloomberg

JPMorgan (JPM) close to securing lead advisory role for **Saudi Aramco** IPO - Reuters

Nissan board expected to meet on CEO succession - WSJ

Boeing (BA) suspending load test for new widebody 777X aircraft - Reuters

Roku (ROKU) targeting U.K. as smart TV platform competition heats up - Reuters

WeWork parent considering dropping valuation – WSJ

Barron's positive **MCK, T, DHI, ATVI, GLUU, ZNGA**; cautious **KDP, WHR, T, F, GM, GE, MNK**

SF has made \$2.5b bid for **PG&E (PCG)** assets. Bloomberg

Apple (AAPL), Foxconn Broke a Chinese Labor Law to build iPhones – Bloomberg

Alibaba's (BABA) Jack Ma to step down this week - Reuters

India Auto Sales Take Record Fall in 10th Straight Month of Declines (**TTM**) – Bloomberg

Server Shipments Fell Short of Expectations in 1H - DRAMeXchange

Big Ag wants a cut of booming fake-meat market (**BG, BYND**) – Reuters

STOCK SPECIFIC NEWS OF NOTE

Dean Foods (DF) concludes review, decides on standalone strategy under new leadership

Yum China (YUMC) CFO to step down

Rayonier Materials (RYAM) suspends quarterly dividend

Amgen (AMGN) announces new data evaluating novel investigational KRAS inhibitor

MSCI acquires Carbon Delta

Eli Lilly (LLY) presents LIBRETTO-001 clinical trial data

Sohu.com (SOHU) announces non-binding proposal to acquire **Changyou.com (CYOU)** for \$10 per ADS

Alcoa (AA) announces new model, management changes

Acadia (ACAD) says Phase 3 HARMONY study met its primary endpoint

AstraZeneca's (AZN) Imfinzi prolongs survival in aggressive lung cancer

PRE-MARKET MOVERS

Moving Higher: ACAD 90%, CYOU 55%

Moving Lower: MRTX -4.6%, AMGN -4.5%

INSIDER TRADING (Form 4 Filings)

Buying: AERI, PBF, CDXS, RUN, FRTA

Selling: TWTR, WDC, FN, TFX, TWLO, ICHR, ZAYO, OSIS, CRM, CERN, EW, PFPT, SBAC

POTENTIAL SYMPATHY TRADES

MRTX – on AMGN KRAS data

OPTION HIGHLIGHTS (Prior Day)

Zogenix (ZGNX) with bullish flow this week into the April \$55 calls with 2,500 bought on 9-4, over \$1.3M in premium, and spot where 10,000 April \$55/\$75 call spreads were bought to open on 8-27. ZGNX has also seen buyers in the Oct. \$46 calls, 1500X, and the Sept. \$43 calls this week. Shares dropped recently to fill a gap from June back around \$42.50 and working on a weekly reversal candle. MACD and RSI on the daily both showing signs of bottoming and turning back while a move over \$44 has room back up to around \$50. Longer-term, ZGNX has been range bound since late 2018 between \$55 and \$35. The \$1.91B biotech trades 4.12X cash with limited debt. They see profitability by FY22 with revenue growth jumping the next two years from \$2.14M to \$252.33M. Short interest is high, around 19.1%, but down from around 23.2% in July. Shares jumped 22% in June after the company resolved issues with the FDA over their NDA for Fintepla, a treatment for seizures associated with Dravet syndrome. They expect the re-filing in Q3 which will lead to a PDUFA later. ZGNX acquired Modis Therapeutics on 8-26, a developer of therapies for rare inherited diseases, including their lead treatment of thymidine kinase 2 deficiency. Analysts have an average target for shares of \$65 with eleven buy ratings. Piper positive on 8-26 after the Modis deal. While pipeline diversification makes sense, investors are likely thrown off by the timing of the deal, given the proximity to Fintepla approval and it likely reduces the odds of a takeover in the near-term. The firm still thinks Fintepla will be a commercial success and estimates approval and launch by Q2 of 2020. Guggenheim upgrading to Buy on 6-27 with a \$64 PT. The firm thinks the company has a clear understanding with the FDA on potential approval pathway and thinks priority review could help with a speedy approval. Hedge fund ownership rose 11.3% in Q2. Cadian Capital a buyer of 1.95M shares and now with 3.285M total, their fourth largest position. RA Capital, Bridger Capital, and Great Point Advisors all notable holders.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.668	Elevated – Cautious
CBOE Index Put/Call Ratio	1.197	Rising – Cautious
CBOE Skew Index	118.87	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	35	Fear
NYMO	46.16	Elevated
NYSE New Highs – New Lows	59	Neutral
McClellan Summation	456.45	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

Cloudflare (NET) issuing 35M shares at \$10-\$12; Cloud platform that delivers range of network services

Smile Direct (SDC) issuing 58.5M shares at \$19-\$22; Direct-to-consumer medtech platform for oral care

Other biotech IPOs including **STSA, SWTX, TXG**

TRADE

WEEKLY TECHNICAL BREAKOUT

TPX:



Tempur Sealy (TPX) shares are forming a bullish wedge back to the 50-day MA and cloud support with a breakout over \$77.50 targeting \$82.50 and then over \$90. MACD is back around zero and curling higher while RSI has reset back around 50, optimal spot to run.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Albany International (AIN)

Price: \$82

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	21X	2.6X	4.1X	12.8X	22.1X
Industry Avg.	22.6X	1.2X	2.1X	16.5X	44.8X

Analysis: AIN is a \$2.66B textile and materials company which focuses on machine clothing, specifically felts for use in paper manufacturing processing, and composites used in the aerospace industry. Shares trade cheap at 21X earnings and 2.6X sales with mid-teens EPS growth and sales growth of 7-8%. The paper machine business has been a strong FCF generator for the company while aerospace is a small, but emerging, business unit.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

VEEV:



Veeva Systems (VEEV) shares are forming a series of lower highs since July and back near key support at \$155. A breakdown targets \$140 and a gap fill from the June earnings. Cloud support is just below last week's range while a volume gap sits under to the measured target as well.

PAIR TRADE OF THE WEEK

Industry: Pork / Swine Flu

Long/Short: Long Tyson (TSN), Short Hormel (HRL)

Analysis: TSN is a \$31B producer of meat products which trades 12.5X earnings and 0.75X sales. They expect a sales boost from ASF as customers turn to chicken/beef while prices for pork will rise. HRL is a \$22.72B company which trades 25X earnings and 2.4X sales. ASF is expected to lead to higher input costs for their key products like SPAM.

SMALL CAP TRADE OF THE WEEK

Alamo Group (ALG) is a \$1.34B farm and machinery company which focuses on hydraulically-powered and tractor mounted equipment like mowers and snow removal equipment. They operate in industrial and agricultural segments and use a network of more than 6,000 dealers. Shares trade 15.28X earnings, 1.27X sales, and 27.8X cash with a small yield.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Frontline (FRO)	Simon Property (SPG)	Carbonite (CARB)
Voya Financial (VOYA)	Career Edu (CECO)	Lannett (LCI)
Carbonite (CARB)	Alerian MLP (AMLP)	Novavax (NVAX)
Domo (DOMO)	Synchronoss (SNCR)	Endo (ENDP)
Liberty (LBTYA)	Barclays (BCS)	Insego (INSG)
LKQ Corp (LKQ)	Adverum (ADVM)	Aimmune (AIMT)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Veritex (VBTX)	Barclays (BCS)	Neutrotrope (NTRP)
Aecom (ACM)	Ubiquiti (UI)	Domo (DOMO)
WPX Energy (WPX)	Alarm.com (ALRM)	National Bev (FIZZ)
Cenovus (CVE)	Church and Dwight (CHD)	Guidewire (GWRE)
Adma Biologics (ADMA)	State Street (STT)	Lululemon (LULU)
Zimmer Bio (ZBH)	Simon Property (SPG)	Pager Duty (PD)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
XPO Logistics (XPO)	Aimmune (AIMT)	Xeris (XERS)
American Outdoor (AOBC)	JD.com (JD)	Adverum (ADVM)
Corning (GLW)	Twitter (TWTR)	PG&E (PCG)
Square (SQ)	Intel (INTC)	Atara Bio (ATRA)
Home Depot (HD)	Disney (DIS)	Gossamer (GOSS)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Zynga (ZNGA)	Bank of America (BAC)	Liberty (LBTYA)
Snap (SNAP)	Stitch Fix (SFIX)	LKQ Corp (LKQ)
AT&T (T)	Twitter (TWTR)	Synchronoss (SNCR)
American Outdoors (AOBC)	Slack (WORK)	Barclays (BCS)
DocuSign (DOCU)	American Air (AAL)	Adverum (ADVM)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Bristol Myers (BMY)	Amerisource (ABC)	AMLP, 15,000 January 2021 \$9/\$6 put spreads
Medicine Co (MDCO)	Agnico (AEM)	FIVE, 1,000 Sept. 13th (W) \$125/\$116 put spreads
Home Depot (HD)	Stitch Fix (SFIX)	AIMT, 2,500 Sept. \$30/\$12.50 strangles bought
Home Depot (HD)	General Motors (GM)	RTN, 1,000 October \$195/\$185 strangles bought
Western Digital (WDC)	Apple (AAPL)	RNG, 1000 October \$135/\$120 put spreads

Stock Specific News

Tokyo Century to buy rest of **Aviation Capital** for about \$3B – Reuters

Tesla (TSLA) pushes back truck debut to November – The Verge

TSMC (TSM) capex likely to reach \$12.5B – Digitimes

TradeWeb (TW) August ADV up 67.9%

Quanta Services (PWR) acquires three companies for \$330M, sees accretion

Ansys (ANSS), Autodesk (ADSK) announce collaboration

Wells Fargo (WFC) sees FY19 NII down about 6% from FY18

Cassava Sciences (SAVA) reports positive results from Phase 2a clinical study of PTI-125

Extras

Activision (ATVI) buyer of 10,000 October \$57.50 calls up to \$1.33 to open

Radius (RDUS) with 1,200 October \$30 calls bought for \$1.20/\$1.25 as some Sept. calls roll

Cabot (COG) buyer of 1,000 January \$19/\$16 bull risk reversals for a small debit

Intel (INTC) with 1,000 March \$49 calls bought for \$5.10

Tiffany (TIF) late day buyers of 1500 Sep. 13th (W) \$88 puts up to \$1.30

American Axle (AXL) with 5,000 January \$6 puts bought for \$0.50

Melco (MLCO) buyer of 1,000 September \$22 puts for \$1.15 to \$1.20

Urban Outfitters (URBN) buyer of 1,000 December \$25 puts for \$2.50 to \$2.80

Zendesk (ZEN) buyer of 1000 September \$77.50 puts up to \$1.80

Cirrus Logic (CRUS) with 2,000 October \$55 calls bought on the day around \$2.35, first notable options flow into the name in two months. CRUS still has 3,000 January \$40 calls in OI from late June and the January \$50 calls with over 500 and the January \$55 calls with over 1000 in OI from earlier in the year. CRUS shares are consolidating the earnings move higher in a narrow consolidation with the rising 20-day MA just below Friday's range. MACD is nearing a bullish crossover while RSI is healthy just below 60 and looking for a run higher. CRUS has a measured move to \$60. The \$3.17B company trades 18.6X earnings, 2.71X sales, and 13.5X FCF. They see earning nearly \$3/share by FY21 with revenue growth

of 5%. CRUS is coming off a quarter where they posted strong numbers in portable products, especially smart home growth. CRUS is engaging in a big product cycle and expansion as they hope to drive their TAM from \$3.25B to over \$6.2B by 2023. They see expansion into biometric voice, haptic drivers, and smart accessories like watches and headphones as key through MEMS microphones and mid-tier smart codecs. Analysts have an average target for shares of \$49.25 with 3 buy ratings, 3 hold ratings, and 2 sell. MKM raising their PT to \$55 earlier this year as CRUS is executing well on its product plan despite the challenges in the near term and also starting to see signs of improvement in the smartphone market. They are also positive on CRUS's customer diversification contributing to a "broader set of end market applications." Short interest is 7.9% and up from 6.2% in mid-August. Hedge Fund ownership fell 1.2% in Q2. Squarepoint and Citadel both top holders. Susquehanna raising their Pt to \$58 on 8-1 on the "modestly encouraging upside" and the combo of a better top-line outlook, higher margins, and improved operating expenses. CRUS has a potential event this week with the Apple (AAPL) event on 9-10.

Kroger (KR) will report earnings on Thursday before the open with the Street looking for \$0.41 on \$28.34B in sales. KR is guiding to \$0.51/\$28.29B while the FY is at \$2.17/\$123B. Shares have traded lower four of the last six with an average closing move of 7.9% and a max move of 12.4%. 30-day IV is 41% in the 86th percentile of its year-long range with skew bearish as the 25-delta p/c is at 7.0% vs 4.5%. The \$19.83B company trades 10.68X earnings, 0.16X sales, and 38.59X FCF with a 2.6% yield. KR has seen estimates come down all year and now sees mid-single digit growth in EPS and 2.5% revenue growth through FY22. Margins have declined steadily since late 2018. KR has undergone a handful of initiatives to improve profitability and drive comp growth as they compete with Amazon's Whole Foods, Target, and Walmart. KR is seeing momentum with their private label brands, share gaining 3.3% last quarter and now 28.9% overall. Their digital plan is also seeing better traction with 42% growth in sales last quarter and coverage expanded now to nearly 95% of customers so hoping to see delivery and mobile penetration improve. Analysts have an average target for shares of \$29 with 8 buy ratings, 7 hold, and 2 sell. BMO raising their PT to \$26 on 9-4. The firm's broader checks showed that while August was not as strong as July, it still marked a good month of grocery sales in the U.S. Monthly sales came in ahead of their 6- and 12-month averages, suggesting that the quarter-to-date momentum for food retailers is "solid". The firm remains at hold however on Kroger, citing expectations of "benign" food inflation outlook and longer term risks related to Ocado. Pivotal upgrading to Buy in late July with a \$26 PT while Guggenheim with a \$26 PT, although disappointed that while they believed that the strategic initiatives launched over the past 12-18 months would re-accelerate comp momentum facilitating a path to non-fuel EBIT stabilization, that has not yet occurred. Short interest is 5.8% and up from around 4.2% in May. Hedge Fund ownership fell 10.3% in Q2. AQR, Bridgewater, and Altriusic Global notable holders. Melvin Capital opened a new put position equivalent to 2.7M shares. On 7-2, a director bought \$107K in stock at \$21.49. On the chart, KR shares are back above their 200-day MA for the first time since February and running recently into the report with 'activist' chatter. A move above \$25.85 is key to opening up a gap-fill from March back to \$28.