

**TOP STORIES**

- China Factory Prices Rise at Slowest Pace in More than Two Years
- China’s Sluggish Prices Raise Deflation Fears
- Europe’s Economy Takes Another Hit From French Production
- U.K. Retailers Experience Worst Christmas Season in a Decade

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2658.75 (-13.75)</b>	<b>-17.21</b>
<b>Nasdaq</b>	<b>6566.5 (-38.25)</b>	<b>-47.19</b>
<b>Dow</b>	<b>23737 (-93)</b>	<b>-122.12</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>6894.56</b>	<b>-0.17%</b>
<b>DAX</b>	<b>10850.04</b>	<b>-0.40%</b>
<b>Nikkei</b>	<b>20163.8</b>	<b>-1.29%</b>
<b>Hang Seng</b>	<b>26521.43</b>	<b>0.22%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Weekly Claims</b>	
<b>8:30</b>	<b>Tom Barkin Speaks</b>	
<b>10:00</b>	<b>Wholesale Trade</b>	
<b>10:30</b>	<b>EIA Nat Gas</b>	
<b>12:30</b>	<b>James Bullard Speaks</b>	
<b>12:45</b>	<b>Jerome Powell Speaks</b>	
<b>1:00</b>	<b>Charles Evans Speaks</b>	
<b>1:20</b>	<b>Neel Kashkari Speaks</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1531 (-0.09%)</b>
<b>USD/JPY</b>	<b>108.06 (-0.09%)</b>
<b>USD/CAD</b>	<b>1.3219 (0.09%)</b>
<b>GBP/USD</b>	<b>1.2733 (-0.43%)</b>

**COMMODITY**

<b>Oil</b>	<b>51.92 (-0.84%)</b>
<b>Natural Gas</b>	<b>3.038 (1.81%)</b>
<b>Gold</b>	<b>1293.9 (0.15%)</b>
<b>Copper</b>	<b>2.6555 (-0.06%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>19.87 (-2.93%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>26.32 (-4.84%)</b>
<b>Oil</b>	<b>OVX</b>	<b>44.36 (-3.73%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>11.69 (4.75%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning after weak inflation data out of China. We got more weak data out of Europe this morning as well with French industrial data confirming the slowdown is broad-based. In regards to trade, concern this morning after neither statement from the US nor China expressed any concrete progress made in trade talks. The government shutdown is nearing a new record when it hits 21 days tomorrow. POTUS and congressional Democrats still remain far apart on border security funding. Overall, a lot of smaller negatives hitting a market which is extreme overbought after a 10% move in two weeks. We’ve also just had the strongest four-day run since the Election and conditions ripe for a pullback.

Asian markets were mixed overnight with the Nikkei snapping its 3-day winning streak. Strength in the yen pressured large-cap names like **Fanuc** and **Softbank**. Tech was under pressure again with **Sony**, **TDK**, and **Daikin** all closing on the lows. Chinese inflation data came in light at 1.9% in December, down from 2.2% and missing expectations for 2.1%. PPI rose just 0.9% which is the slowest since October 2016. The weak data is raising hopes again for more stimulus in the region.

European markets are trading in the red early following the Asian close. ECB Minutes were out this morning and showed the committee more concerned about potential risks to the downside. Italian retail sales came in slightly better than feared at 0.7% vs 0.2% in November. French industrial production slowed to -1.3% growth in November, worse than the flat growth expected. **Safran** is lower this morning after a downgrade at JP Morgan while **Airbus** is weak after reporting fewer deliveries than **Boeing** for the first time since 2014. **Marks & Spencer** is higher by 1.5% after maintaining FY guidance.

**S&P TECHNICALS**

**Levels:** Support 2,450/2,500; Resistance 2,750/2,800



**KEY EVENTS TO WATCH****Earnings After the Close:** SNX;**Conferences:** JP Morgan Healthcare, CES 2019;**Economic Data on Friday:** CPI at 8:30 AM, Baker Hughes at 1:00, Treasury Budget at 2;**International Earnings:** Richemont;**ANALYST ACTION/COMMENTS****Constellation (STZ)** upgraded to Neutral at Guggenheim**Boeing (BA)** upgraded to Overweight at MSCO; Initiated Positive at Susquehanna, \$388 PT**Waste Management (WM)** upgraded to Buy at UBS**Dover (DOV)** upgraded to Buy at UBS**Autoliv (ALV)** upgraded to Buy at UBS**Lockheed Martin (LMT)** upgraded to Buy at Vertical; downgraded to Neutral at MSCO**United (UAL)** upgraded to Overweight at JPM; **ALK** upgraded to Neutral**Oshkosh (OSK)** upgraded to Overweight at JP Morgan**Trimble (TRMB)** upgraded to Overweight at JP Morgan**Hess Corp (HES)** upgraded to Overweight at Barclays**Nike (NKE)** upgraded to Buy at Needham**Twitter (TWTR)** upgraded to Buy from Sell at BAML**Ralph Lauren (RL)** upgraded to Buy at Needham**Qorvo (QRVO)** upgraded to Buy at Craig Hallum**Yelp (YELP)** downgraded to Sell at MSCO**Dollar Tree (DLTR)** downgraded to Neutral at OpCo**B&G Foods (BGS)** downgraded to Neutral at BMO**Republic Services (RSG)** downgraded to Neutral at UBS**JetBlue (JBLU)** downgraded to Neutral at JP Morgan**Continue on Page 6****DMC Global (BOOM)** initiated with an Overweight at Stephens, \$50 PT**Cactus (WHD)** initiated with an Overweight at StephensPiper starting **MPC, PSX, PBF, VLO** at Overweight; **HFC, DK** at Neutral**MEDIA HIGHLIGHTS****T-Mobile (TMUS)** COO says 'confident' in getting merger approved - BloombergDOJ says shutdown may delay resolution of **CVS, Aetna (AET)** court process - Reuters**Fiat Chrysler (FCAU)** to pay less than \$500M to resolve DOJ diesel case - Bloomberg**Sears (SHLD)** chairman Lampert submits revised \$5B offer for company – Reuters**Uber, Lyft** believe government shutdown may slow IPO timelines – Bloomberg

Server DRAM demand slowing down – Digitimes

Judge wants **PG&E (PCG)** power restrictions – Reuters

NAND Flash Manufacturers to Cut Capex by 2% YoY in 2019 Due to Worsening Oversupply – DRAMeXchange

Sen. Sanders, Rep. Cummings to introduce bill to lower U.S. drug prices – Reuters

Germany's **Osram Licht** hit by weak auto industry demand for LED lighting – Reuters**Clariant** begins sale process for pigments business – Reuters**STOCK SPECIFIC NEWS OF NOTE****Zumiez (ZUMZ)** reports December SSS up 4.9%**Costco (COST)** reports December comparable sales up 6.1%**Union Pacific (UNP)** sees FY2018 operating revenue of 62.7%, improved cost performance**SemGroup (SEMG), KKR** form joint venture and acquire Meritage Midstream for \$449M**Taiwan Semi (TSM)** Dec. revenue down 0.1% y/y**Nike's (NKE)** Dutch Tax Deals Probed by EU in Latest Fiscal Crackdown**Target (TGT)** reports Nov./Dec. SSS up 5.7%; CFO to Retire from Company**Ford (F)** to cut jobs, idle plants, change lineup in Europe**The Buckle (BKE)** reports December comparable store net sales down 0.2%**Amazon (AMZN)** AWS announces launch of Amazon Document DB (negative for **MDB**)**Kohl's (KSS)** comps for November/December up 1.2%**L Brands (LB)** reports December SSS flat

**PRE-MARKET MOVERS**

**Moving Higher:** BBBY 16%, CGC 3.5%, TWTR 3.5%

**Moving Lower:** MDB -10%, KSS -6.6%, RIO -1.7%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** LNDC, MDT, MEET, IFF

**Selling:** RNG, BURL, QLYS, VRA, CASY, BMRN

**INSTITUTIONAL MONEY FLOW**

**Buying:** NKE, CBOE, TMUS, IFF, ABBV, DE, SHW, AGN, VZ, BPMC, DIOD, S, WDAY

**Selling:** AAPL, MSFT, MA, WFC, GE, CI, MNST, NFLX, NVDA, CVX, CNC, LLY, ABT, DELL

**OPTION HIGHLIGHTS (Prior Day)**

Tapestry (TPR) with 1,000 August \$35 puts sold to open today for \$3.30, seeing limited downside in the name which has traded weak since August. TPR had opening sellers in the May \$35 puts last week while the February \$35 calls active with buyers. The February \$40/\$35 bull risk reversal remains in OI over 1,000X while the \$45 calls have nearly 2,500 remaining from Fall buys. The January 2021 ITM \$35 calls were bought on 12/12 as well. TPR shares are working out of a small base today and putting in a strong weekly candle after a reversal in late December. Shares traded back to trend support from the 2019/2015 lows, forming a series of long-term higher lows, as well as holding key Fibonacci support at \$32.50. The \$10.3B company trades 11.5X earnings, 1.7X sales, and 9.7X cash with a 3.8% yield and double-digit EPS growth expected annually through FY21. TPR has been steadily raising revenue estimates since August and now sees 5% growth in both FY20 and FY21 as they pass the two-year mark of the Kate Spade deal. TPR raised guidance in October driven by solid growth at Coach, gross margin improvement, and better trends at Stuart Weitzman. TPR has a much stronger mix since the KATE deal with significant opportunity to grow share in the \$91B premium market. Shares have sold off with fears of a slowdown in China, especially the high-end shopper, but the country represents just 13% of overall sales. The company has also taken proactive steps to buyout their local distributors which they feel aligns more with the country's emphasis on driving domestic demand. Analysts have an average target for shares of \$53 with 20 buy ratings and 9 hold. TPR was named a Best Idea for 2019 at BAML last week. OpCo with a \$50 PT for shares noting that the market is under-appreciating the internal initiatives beginning to take hold. They are also positive on new product launches in 2019, acquisition integration, and digital enhancements. Institutional ownership rose 33% last quarter, significant with most names seeing huge outflows. Point72 a notable buyer of 1.1M shares. Short interest is 1.9%, near multi-year lows.

**AFTER HOURS MOVERS**

**Gainers:** BBBY 16/8%, KBH 4%

**Losers:** MDB -3%, WDFC -2%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.71	Elevated
CBOE Index Put/Call Ratio	1.21	Neutral
CBOE Skew Index	111.44	Significant Low
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	18	Extreme Fear
NYMO	72.82	Extreme High
NYSE Highs/Lows	21	Neutral
McClellan Summation	-919.55	Bullish 8-EMA Crossover
Univ. of Michigan Consumer Sentiment	97.5 (December)	1.7%+

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

**POTENTIAL SYMPATHY TRADES**

**WMT, DLTR, DG, KR** – on COST/TGT comps

**PHM, DHI, TOL** – on KBH earnings

**MDB** – lower on Amazon DB announcement

**IPO /SECONDARY MONITOR**

Nothing Scheduled



## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
RBS (RBS)	Myriad Genetics (MYGN)	Diebold (DBD)
Viewray (VRAY)	Urban Outfitters (URBN)	Nabors (NBR)
Everi (EVRI)	Smart Global (SGH)	Innoviva (INVA)
ProPetro (PUMP)	Digital Realty (DLR)	Gogo Wireless (GOGO)
Globus (GMED)	China Mobile (CHL)	Viewray (VRAY)
Tilly's (TLYS)	Lennar (LEN)	Plug Power (PLUG)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Viewray (VRAY)	Global Payments (GPN)	Acuity (AYI)
Fortress (FTAI)	Immunogen (IMGN)	Weatherford (WFT)
RPC (RES)	Supernus (SUPN)	Supernus (SUPN)
Gerdau (GGB)	Chemours (CC)	Immunogen (IMGN)
Canadian Natural (CNQ)	TreeHouse (THS)	Goodyear (GT)
USA Tech (USAT)	Pegasystems (PEGA)	Overstock (OSTK)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Biggest IV30 Moves in Past Week</u>
Chico's (CHS)	Immunogen (IMGN)	La Jolla (LJPC)
Credit Suisse (CS)	Myriad Genetics (MYGN)	PG&E (PCG)
Tenet (THC)	Bausch (BHC)	Lexicon (LXRX)
Xerox (XRX)	TAL Education (TAL)	Irobot (IRBT)
Ctrip (CTRP)	Nike (NKE)	Yelp (YELP)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Ford Motor (F)	Abercrombie (ANF)	Myriad Genetics (MYGN)
Bristol Myers (BMY)	Micron (MU)	Urban Outfitters (URBN)
Chesapeake (CHK)	Petrobras (PBR)	Smart Global (SGH)
JD.com (JD)	Macy's (M)	RBS (RBS)
General Electric (GE)	AbbVie (ABBV)	Viewray (VRAY)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Innoviva (INVA)	Mylan (MYL)	IYT, 3,000 February \$169/\$160 put spreads
Zayo Group (ZAYO)	Chemours (CC)	PLAY, 2,000 Jan. \$50.5/\$54 call spreads
United Rentals (URI)	GoPro (GPRO)	EXPE, June \$120/\$135 call spread bought 5,000X
China Mobile (CHL)	Viacom (VIAB)	ADNT, 2,000 February \$19/\$21 call spreads
BorgWarner (BWA)	Adient (ADNT)	XPO, 3,000 February \$62.5/\$762.5 call spreads

### Analyst Actions

**Illinois Toolworks (ITW)** downgraded to Sell at JP Morgan

**Paccar (PCAR)** downgraded to Sell at JP Morgan

**Wabco (WBC)** downgraded to Sell at JP Morgan

**Estee Lauder (EL)** downgraded to Neutral at Wells Fargo

**Big Lots (BIG)** downgraded to Neutral at Goldman

**Petrobras (PBR)** downgraded to Sell at Barclays

**ELF Beauty (ELF)** downgraded to Sell at Wells Fargo

**Columbia (COLM)** downgraded to Neutral at Needham

**Meritage (MTH)** downgraded to Neutral at Wedbush

### Extras

**Colfax (CFX)** with 2,000 Feb \$22.5 calls bought for \$0.70 after recent buys of 2,000 March \$25 calls

**Teva Pharma (TEVA)** buyer of 5,000 March \$19 calls for \$1.02 today as the January \$17.50 calls adjust

**Masco (MAS)** late rolls of 2,000 February \$30 calls to the \$33/\$36 call spreads

**Gold (GLD)** rallied throughout the afternoon with 15,000 March \$122 calls bought \$2.45/\$2.50

### Earnings After the Close

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
BBBY	Bed Bath & Beyond	\$0.18	\$0.17	\$3,032.23	\$3,041.13	2.60%	
KBH	KB Home	\$0.96	\$0.94	\$1,349.00	\$1,327.33	-3.80%	
PSMT	PriceSmart	\$0.74	\$0.73	\$779.60	\$795.03	1.60%	
WDFC	WD-40	\$0.95	\$0.95	\$101.30	\$99.10	3.80%	

**KBH beat on EPS and Sales** - "We believe we are well positioned for 2019, with an anticipated 10% to 15% increase in our community count. In addition, we have taken proactive steps to reposition many of our existing and future communities to make our product more affordable. Our business model enables us to efficiently move with demand, leveraging our existing plan series to add smaller square footage options to our communities, and adjusting the specification levels within our homes. This operational flexibility expands the range of choices for our homebuyers, in moving up or down in square footage and upgrading options in our design studios - both distinctive advantages of our highly customer-centric approach to homebuilding."