

TOP STORIES

- Markets Slump as Concerns Grow about Global Growth
- Euro-Area Production Slump Adds to Gloom for Economic Outlook
- China Exports, Imports Unexpectedly Slump in December
- PG&E Prepares to File for Chapter 11 Bankruptcy, CEO Departs

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2573.75 (-21.25)	-22.81
Nasdaq	6540.25 (-72.5)	-73.15
Dow	23756 (-194)	-212.95

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6844.45	-1.07%
DAX	10809.7	-0.71%
Nikkei	Closed	
Hang Seng	26298.33	-1.38%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
11:30	3-Month, 6-Month Bill Auctions	

FOREX

EUR/USD	1.1464 (-0.03%)
USD/JPY	108.04 (-0.46%)
USD/CAD	1.3274 (0.08%)
GBP/USD	1.2871 (0.23%)

COMMODITY

Oil	50.99 (-1.15%)
Natural Gas	3.331 (7.5%)
Gold	1295.9 (0.50%)
Copper	2.624 (-1.43%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	18.19 (-6.72%)
Nasdaq	VXN	24.78 (-4.36%)
Oil	OVX	40.99 (-4.65%)
Gold	GVZ	11 (0.46%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning after Chinese trade data came in surprisingly weak. The data adds fuel to the idea that China is seeing a sharper economic slump than expected. It also adds urgency to a potential trade deal which still seems far off. The two sides will meet again in late January. The commodities markets are weak this morning with the prospect of slowing growth. Oil is down over 1% while industrial metals like copper (down 1.4%) and aluminum were both weak.

The Brexit vote remains on track for tomorrow in the UK. PM May has warned that a no-deal Brexit will leave Britain worse off. There were some reports that the EU expects the UK to request an extension to Article 50.

In Washington, the shutdown enters its 24th day without an end in sight as both sides remain far apart. Sen. Lindsay Graham proposed a temporary plan to re-open the government and said Trump should consider a national emergency only as a last resort.

Asian markets were weak this morning after data out of China soured sentiment. China imports fell 7.6% in December, a big miss from the 5% rise expected. Exports fell 4.4% vs an expected rise of 3%. The weak data continued to raise fears of a faster slowdown than expected. Japan was on Holiday.

European markets have opened in the red this morning and trending modestly lower mid-day. Luxury goods and tech were laggards, the former due to the China data. **Pandora** was also downgraded at MSCO. **Dialog Semi** was down over 3% early after guiding to the low-end of their range but shares now up over 4%. **Continental AG** warned of weakening conditions. **JD Sports** was up 8% after raising guidance. Eurozone industrial production fell 3.3% in November, worse than expected which was around a 2.3% drop. This is the biggest slump since 2012 and first negative print since September 2016. German WPI came in at 2.5%.

S&P TECHNICALS

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



3726 Advancing	Declining 3424
49.6%	45.6%
49 New High	New Low 13
79.0%	21.0%
3385 Above SMA50	Below 4121
45.1%	54.9%
1695 Above SMA200	Below 5811
22.6%	77.4%

KEY EVENTS TO WATCH

Earnings BMO Tuesday: DAL, FRC, INFO, JPM, SNV, UNH, WFC;

Analysts Days: CEVA;

Conferences: ICR Conference: CHS, ASNA, RUTH, TLYS, SYU, JILL, ZAGG, TACO, AVP, FIVE, WING, PRTY, LOCO, NUS, MED, YETI, TXRH, GPC, ZUMZ, BOOT, DRI, SCVL, GCO, GES, SMRT, KRNT, GSHD, HLF, LULU, PLAY, HZO, CHEF, URBN, NDLS, FOXF, FND, DFRG, BJ, SHAK, TLRD, AEO, CMG, PETQ, PLNT, HABT, HOME, FTCH, DENN, OLLI, DPZ, MOV, CROX, TLRV, CHUY, HELE, LE, GIII, CRON, TPB, TUP;

ANALYST ACTION/COMMENTS

Annaly (NLY) upgraded to Outperform at Macquarie

Snap (SNAP) upgraded to Neutral at Citi

NetEase (NTES) upgraded to Overweight at Barclays

Northrop (NOC) upgraded to Outperform at CSFB

Wyndham (WYND) upgraded to Buy at Nomura

Sherwin Williams (SHW) upgraded to Outperform at Wells Fargo

Teladoc (TDOC) upgraded to Outperform at Baird

State Street (STT) upgraded to Strong Buy at RayJay

Bio-Techne (TECH) upgraded to Overweight at Stephens

Alcoa (AA), Commercial Metals (CMC), Teck Resources (TECK) upgraded to Buy at Goldman Sachs

Infosys (INFY) upgraded to Neutral at Susquehanna

Century Alum. (CENX) upgraded to Hold at Berenberg

Arconic (ARNC) downgraded to Neutral at JP Morgan

Glaxo (GSK) downgraded to Neutral at BNP Paribas

Delta (DAL) downgraded to Neutral at BAML

XPO Logistics (XPO) downgraded to Neutral at Keybank

CF Industries (CF) downgraded to Neutral at Bernstein

Instructure (INST) downgraded to Neutral at RayJay

Western Digital (WDC) downgraded to Sell at Evercore

Teradyne (TER) downgraded to Neutral at Evercore

Dorman (DORM) downgraded to Neutral at CL King

Innovative Properties (IIPR) initiated Buy at BTIG

MEDIA HIGHLIGHTS

SEC, Commerce department investigating **Boeing (BA)** satellite deal backed by China - WSJ

Apple (AAPL) should buy **Nintendo** - Barron's

Bristol-Myers (BMY) can be 'a sweet pill' for investors amid Celgene weakness - Barron's

German antitrust expressing concerns over **Siemens, Alstom** merger – Reuters

Visa (V), MasterCard (MA) Chinese entry delayed by Central Bank – FT

CapitaLand to Pay **Temasek** \$4.4B for **Ascendas-Singbridge** – Bloomberg

Tellurian's (TELL) \$28 Billion LNG Plant to Ship First Cargo in 2023 – Bloomberg

FedEx (FDX) Tests Adding Full-Service Home Delivery of Bulky Goods (-ve **XPO**) – Bloomberg

Viacom (VIAB) in Talks to Sell Majority Stake in China Operations – WSJ

L'Occitane Agrees to Buy Skincare Brand **Elemis** for \$900 Million – Bloomberg

Continues on Page 6

STOCK SPECIFIC NEWS OF NOTE

Stein Mart (SMRT) November/December SSS down 3.3%

Boot Barn (BOOT) CEO sees 'solid start' to Q4, Preliminary Sales Above forecasts

Yeti (YETI) raises FY18 guidance

CBS, Nielsen (NLSN) reach agreement

Newmont Mining (NEM) acquires **Goldcorp (GG)** in stock deal worth \$10B

Lululemon (LULU) raises Q4 SSS view

Wingstop (WING) preliminary Q4 domestic SSS up 6%

PG&E (PCG) sees bankruptcy filing 'on or about' January 29; CEO Steps down

MNG Enterprises proposes to acquire **Gannett (GCI)** for \$12.00 per share in cash

Tailored Brands (TLRD) lowers Q4 SSS at Jos. A. Bank

Build-A-Bear (BBW) lowers FY18 revenue view

Continues on Page 6

PRE-MARKET MOVERS

Moving Higher: GG 10.9%, UNG 6.5%, SNAP 2%

Moving Lower: PCG -47%, ATHM -6%, WDC -5%, NEM -4.6%, MU -3%, AMD -2%

INSIDER TRADING (Form 4 Filings)

Buying: HIG, LNDC, GEF

Selling: STML, RSG, LPLA, MYOK, WDAY, DIS, SMTC, ZEN, ELF, SPPI, LULU, QLYS

INSTITUTIONAL MONEY FLOW

Buying: MSFT, FB, GOOG, XOM, STZ, KMI, DIS, TWTR, V, AAPL, IBM, WMT, AMZN, HPQ

Selling: PEP, WFC, BND, AMD, BIIB, ULTA, NFLX, AIG, CTXS, BA, XPO, CMI, REGN, CSCO

OPTION HIGHLIGHTS (Prior Day)

Dell (DELL) with 3,050 July \$52.50 calls bought today for \$2.25 and follows 2,500 bought yesterday. DELL also had 500 February \$45/\$50 call spreads bought against a sale of the \$40 puts. Dell has traded mixed since its re-entry to the public markets in late December with support near \$42. The 8-EMA has been key resistance at \$47. The \$33.24B company trades 6.35X earnings, 0.37X sales, and 4.3X FCF. They expect mid-single digit growth in FY20 and double-digit growth in FY21 with earnings power of nearly \$8/share. DELL sees 11% revenue growth in the coming years driven by secular themes across connected devices and big data while IT spending growth is also favorable. Dell's suite of companies includes the parent co, VMWare, Secureworks, Pivotal, and EMC. They see big cross-sell opportunities across storage, security, servers, and virtualization. They are a leader in managed cloud as well, an \$80B market. Analysts have an average target for shares of \$61 with 5 buy ratings and 1 hold. Goldman started coverage at Buy on 1/7 with a \$59 PT expecting the multiple discount to contract after a potential refinancing in 2019. BAML stated at Buy on 1/4 with a \$63 PT. They cite an attractive portfolio of entities growing at an above-market rate with new products gaining share and opportunities to grow margins over time. JP Morgan positive on 12/28 with a \$60 PT. They call Dell the 'formidable leader' in IT client solutions and reshaping the IT infrastructure market through EMC/VMW.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.70	Declining
CBOE Index Put/Call Ratio	1.31	Elevated
CBOE Skew Index	119.09	Multi-Year Lows
VIX Curve	Contango	Normal
CNN Fear & Greed Index	30	Fear
NYSE Highs/Lows	107.19	Multi-Year Highs
McClellan Summation	38.79	Multi-Month Highs
Univ. of Michigan Consumer Sentiment	-371.51	Above 8-EMA
	97.5 (December)	1.7%+

SMART MONEY (13g/13d Filings)

POTENTIAL SYMPATHY TRADES

APTV, MGA, LEA, LKQ, BWA, ALV, ALSN, WAB – on Continental AG warning

AEM, GOLD, NEM, AUY – on GG/NEM merger

EIX – lower on PCG bankruptcy

IPO /SECONDARY MONITOR

Nothing Scheduled

TRADE

WEEKLY TECHNICAL BREAKOUT

CHD:



Church & Dwight (CHD) shares are consolidating in a bull flag under \$69.50 with OBV hitting a 3-month high. Shares consolidated above their 50-day MA for weeks with cloud support just below at \$65. MACD and RSI are both emerging out of normal pullbacks, ready to run.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Masimo (MASI)

Price: \$113.25

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	37.35X	7.5X	6.6X	23.4X	31.8X
Industry Avg.	43.9X	4.5X	4.3X	27X	38.8X

Analysis: MASI is a \$6B medical equipment company which focuses on non-invasive monitoring. Their EEG products measure brain activity while gas monitoring products measure things like oxygen saturation. MASI expects 15% EPS growth in FY20 with 6-9% revenue growth and a consistent beat-and-raise name.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

AZN:



AstraZeneca (AZN) shares are trading back near multi-month lows around \$36.50 and closing weak on Friday below the 200-EMA. Shares are right back at two-year trend support with a breakdown measuring out to \$34.

PAIR TRADE OF THE WEEK

Industry: Food

Long/Short: Long McDonalds (MCD), Short Chipotle (CMG)

Analysis: MCD is growing EPS in the high-single digit EPS and revenues turning back to positive growth in FY20 after a period of significant investment into their stores. MCD is set to unveil new menu items in 2019 which will aim at market share from DNKN, SBUX, and others. CMG is still in recovery mode yet trades at a premium multiple and may be limited in 2019 due to increased ad spend and traffic expectations.

SMALL CAP TRADE OF THE WEEK

SPS Commerce (SPSC) is a \$1.55B company which trades 43X earnings, 6.44X sales, and 8.2X cash with 20% EPS growth over the next five years. SPSC expects 10-11% revenue growth as they expand into more cloud-based solutions for small- and medium-businesses.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Loxo Oncology (LOXO)	Embraer (ERJ)	Immunogen (IMGN)
TransCanada (TRP)	PG&E (PCG)	Biocryst (BCRX)
Antero (AR)	PDF Solutions (PDFS)	Tilray (TLRY)
Flotek (FTK)	Chico's (CHS)	BHP Group (BBL)
Discovery (DISCA)	Steven Madden (SHOO)	Aratana (PETX)
Xerox (XRX)	Radius (RDUS)	Pier 1 (PIR)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Halozyme (HALO)	Luminex (LMNX)	Novavax (NVAX)
Scripps (SSP)	Graphic Packaging (GPK)	Flotek (FTK)
Credit Suisse (CS)	Knight Swift (KNX)	MongoDb (MDB)
Callon Petroleum (CPE)	NU Skin (NUS)	Bed Bath (BBBY)
Cenovus (CVE)	Chico's (CHS)	GoPro (GPRO)
Edgewell (EPC)	Tech Data (TECD)	SeaWorld (SEAS)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Biggest IV30 Moves in Past Week</u>
Antero (AR)	Radius (RDUS)	Immunogen (IMGN)
First Horizon (FHN)	Fitbit (FIT)	PG&E (PCG)
Dell Tech (DELL)	Denbury (DNR)	Maxar Tech (MAXR)
Expeditors (EXPD)	Bed Bath (BBBY)	Skechers (SKX)
Yelp (YELP)	Immunogen (IMGN)	Pearson (PSO)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Discovery (DISCA)	AT&T (T)	Embraer (ERJ)
Activision (ATVI)	Apple (AAPL)	PG&E (PCG)
PG&E (PCG)	IQIYI (IQ)	PDF Solutions (PDFS)
Ally Financial (ALLY)	Gold (GLD)	Loxo Oncology (LOXO)
Vale (VALE)	Microsoft (MSFT)	TransCanada (TRP)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Dell (DELL)	US Foods (USFD)	TIF, 1,000 May \$90/\$100 call spreads, short \$70 puts
Universal Display (OLED)	ViaSat (VSAT)	WTW, 1,000 July / Jan 20 \$40 calendar call spread
Campbells (CPB)	Immunogen (IMGN)	HES, 1,500 February \$52.5/\$50 strangles
Devon (DVN)	Sarepta (SRPT)	ETFC, 1,500 April \$50/\$45 strangles
Symantec (SYMC)	Arcelor Mittal (MT)	HIQ, March \$28/\$20 put spread being bought 1,250X2,500

Stock Specific News

Crocs (CROX) raises Q4 outlook

Genesco (GCO) backs FY outlook of \$3.10-\$3.40 vs \$3.25

AXT (AXTI) lowers Q4 outlook

Shoe Carnival (SCVL) raises FY outlook

Prestige Brands (PBH) Q3 revenue tracking below estimates

NeoPhotonics (NPTN) sees Q4 above forecasts

Denny's (DENN) reports preliminary Q4 domestic system-wide SSS up 1.4%

Abercrombie & Fitch (ANF) reaffirms Q4 SSS up low single digits

Media Mentions

America's richest are losing confidence in the stock market – NY Post

Deutsche Telekom's T-Systems to sell mainframe unit to **IBM** – Handelsblatt

Brazil judge temporarily allows **Petrobras (PBR)** to continue divestment program – Reuters

China's **Dalian Wanda** posts revenue drop for third straight year – Reuters

AB InBev (BUD) considers partial IPO of Asian business – Reuters

U.S. Economy Is Floating on an 'Ocean of Debt', Gundlach Warns – Bloomberg

Verizon (VZ) testing own gaming streaming service on Nvidia Shield - The Verge

Tencent to introduce digital assistant for WeChat – Bloomberg

Flash memory remains primary target for semi capex spending – Digitimes

In CEO Search, **Intel (INTC)** Still Hasn't Found What It's Looking For – Bloomberg

Deutsche Bank (DB) to Intensify Outside Talks Over Strategy

Hedge fund wants to buy **Sears (SHLD)** brands Kenmore, DieHard – NY Post

Global Smartphone Production Volume May Decline by Up to 5% in 2019 – DRAMeXchange

Euronext launches \$729M bid for Oslo bourse – Reuters

Apple-supplier **Dialog Semi's** Q4 sales at bottom of forecast range – Reuters

China car sales hit reverse for first time since 1990s – Reuters

Ashland (ASH) to Make Board Changes – WSJ

Volkswagen may face new mass diesel recall – Bloomberg

Extras

Align Tech (ALGN) buyers of 2,000 February \$200 calls late for \$11.50 up to \$12.50

Loxo Oncology (LOXO) the February/March \$230 call calendar spread opening 5,000X for \$0.78

United Health (UNH) buyer of 1,725 February \$240 puts spread against 2,500 of the March \$220 puts

Walmart (WMT) with 2,000 Jan. 2020 \$95 puts opening for \$7.55

American (AAL) buyers of more than 6,000 January \$31 puts around \$0.45 to \$0.47 into earnings next week from UAL, DAL

Applied Opto (AAOI) with 2,900 weekly calls rolling up and out to the January \$17 calls

Adient (ADNT) late buyers of the January \$18 puts, 1900X for \$0.80 into the close; name which has seen some long-term bearish flow

Allergan (AGN) buyers of 800 January \$148 calls for \$3.50 to \$3.65 as the \$140 calls roll up

Amarin (AMRN) buyers of the January \$17.50 calls for \$1.24, nearly 1,500X, as the weekly \$13.50 calls roll up in strikes

BP Prudue Bay (BPT) buyers of 925 January \$30 puts between \$5.30 and \$5.70 with shares bumping back into the 50- and 200-day

Five Below (FIVE) the January \$116/\$104 put spread bought for \$3.10, 1500X; the \$115/\$110 put spread also bought 1,000X

IPG Photonics (IPGP) late buyers of 670 January \$130 puts for \$4.40 to \$4.60 on Friday

Lear (LEA) late buyer of 500 January \$145 puts for \$2.50

Cheniere (LNG) buyer of 2,375 January \$63 calls for \$2 as the weekly \$63 calls adjust

Dave & Busters (PLAY) afternoon buyers of 2,000 January \$50 puts from \$1.00 to \$1.20

Steven Madden (SHOO) buyers of 1,750 January \$30 puts for \$0.60 to \$0.65

VF Corp (VFC) buyers of 1,750 January \$72.50 puts from \$2.55 to \$2.58 ahead of earnings on Friday

Workday (WDAY) late afternoon buyers of 3,000 January \$160 puts for \$1.10 to \$1.25

Wynn (WYNN) late buyers of 1,000 January \$114 calls up to \$2.37

Biotech (XBI) spread sells the February \$88 calls to buy the \$77/\$70 spread 4,500X

Materials (XLB) buyer of 5,000 February \$51 calls for \$1.01

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
C	Citigroup		\$1.55		\$17,574.56		
SJR	Shaw Comms		\$0.31		\$1,318.62		