

TOP STORIES

- Global Markets Stumble into 2019 as Manufacturing Slows
- China Caixin Manufacturing PMI Shrinks for First Time in 19 Months
- U.K. Manufacturing Grows as Firms Step Up Brexit Preparation
- Shutdown Grinds On as Trump Offers Congressional Leaders Meeting
- Macau Gaming Revenue Rose 16.6% in December, Up 14% in 2018

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2469.25 (-36)	-38.3
Nasdaq	6196 (-137.25)	-148.96
Dow	22936 (-332)	-369.46

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6680.41	-0.71%
DAX	10530.92	-0.27%
Nikkei	20014.77	-0.31%
Hang Seng	25130.35	-2.77%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:55	Redbook	
9:45	PMI Manufacturing	53.9

FOREX

EUR/USD	1.1429 (-0.29%)
USD/JPY	109.21 (-0.46%)
USD/CAD	1.3619 (-0.13%)
GBP/USD	1.2663 (-0.69%)

COMMODITY

Oil	44.98 (-0.95%)
Natural Gas	2.99 (1.70%)
Gold	1287.7 (0.50%)
Copper	2.614 (-0.65%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	26.31 (-7.16%)
Nasdaq	VXN	32.18 (-5.91%)
Oil	OVX	51.9 (-2.28%)
Gold	GVZ	13.51 (-7.21%)

MARKET OUTLOOK

Futures are indicating a weak open to kick off the new year with fears about global growth weighing. Asian markets had their worst start to a new year since 2016. Weak data out of China has investors spooked about a slowdown accelerating. New orders in both manufacturing PMIs over the last week have contracted in December. European PMIs also confirmed a slowdown in the area.

In Washington, POTUS has invited congressional leader to the WH today to discuss border security. This is in hopes of ending the government shutdown. Jerome Powell will speak on Friday. Fed fund futures are now pricing in zero hikes for 2019 while yields on the 2-year continue to fall. The 10-year yield is down to 2.657% and the 2s10s spread is the narrowest since 2007. The dollar is modestly higher today.

Asian markets kicked off the new year in the red with China's Hang Seng down over 2.75%. Shanghai was down 1.15%. The safe-haven yen was higher vs the Dollar. Japan remains on Holiday. China's Xi expressed hope to open talks with Taiwan about reunification in his new year's speech. China's Caixin manufacturing PMI came in weak last night at 49.7 vs 50.3 forecast. This is down from 50.2 last month and follows weak manufacturing data last week. Singapore GDP fell to 2.2% in Q4, below forecasts.

European markets are in the red this morning amid global growth concerns. Miners, autos, and financials fell the hardest. Energy was also a laggard with oil down nearly 1%. EU manufacturing PMI was 51.4, no surprises vs the consensus. German and French manufacturing data remained steady while Italian PMI rose to 49.2. Spain was the weakest spot at 51.1, down from 52.6. In the UK, manufacturing got a boost up to 54.2 vs 52.6 expected. Not a lot of individual stock movers of note today. **Gerresheimer**, a med-tech name, was down 5% after JP Morgan cut to Sell.

S&P TECHNICALS

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



4719 Advancing	Declining 2559
62.7%	34.0%
14 New High	New Low 186
7.0%	93.0%
1264 Above SMA50	Below 6254
16.8%	83.2%
1084 Above SMA200	Below 6434
14.4%	85.6%

KEY EVENTS TO WATCH

Economic Data on Thursday: Motor Vehicle Sales, ADP Employment at 8:15 AM, Jobless Claims at 8:30, ISM Manufacturing at 10:00, Construction Spending at 10:00;

Earnings Before the Open: SMPL, UNF;

Earnings After the Close: LNDC, RECN;

ANALYST ACTION/COMMENTS

Sirius (SIRI) upgraded to Overweight at JP Morgan

Torchmark (TMK) upgraded to Overweight at JP Morgan

Baxter (BAX) upgraded to Buy at Citi; upgraded to Overweight at MSCO

Zimmer Biomet (ZBH) upgraded to Buy at Citi, \$127 PT

Caesars (CZR) upgraded to Neutral at UBS

Acushnet (GOLF) upgraded to Buy at Compass Point

Citizens Financial (CFG) upgraded to Outperform at RBC

Bausch Health (BHC) upgraded to Overweight at Piper

Wells Fargo (WFC) upgraded to Neutral at RBC

Stryker (SYK) upgraded to Outperform at Evercore

Crocs (CROX) upgraded to Positive at Susquehanna

Estee Lauder (EL) upgraded to Buy at Citi, \$155 PT

Shoe Carnival (SCVL) upgraded to Buy at Susquehanna

Smith & Nephew (SNN) cut to Neutral at JP Morgan

Flex (FLEX) downgraded to Neutral at JP Morgan

Abbott (ABT) downgraded to Sell at Citi

Medtronic (MDT) downgraded to Neutral at Citi

Globus Medical (GMED) downgraded to Neutral at MSCO

Hologic (HOLX) downgraded to Sell at MSCO

Akamai (AKAM) downgraded to Neutral at Cowen

CyrusOne (CONE) downgraded to Neutral at BAML

Novartis (NVS) downgraded to Sell at JP Morgan

Louisiana Pacific (LPX) downgraded to Neutral at BAML

BioMarin (BMRN) downgraded to Neutral at RayJay

Moderna (MRNA) initiated Buy at Piper (\$24 PT), Goldman (\$25), BAML (\$20), Barclays (\$20)

MEDIA HIGHLIGHTS

Apollo's \$20B **Arconic (ARNC)** bid hung up on credit worries (Out on Monday) – NY Post

Ship shortage threatens Asian LNG market growth – Nikkei

Big Tech May Look Troubled, but It's Just Getting Started (**FB, GOOGL**) – NY Times

Big banks look to cut back, alter credit card rewards programs (**JPM, C, AXP**) -WSJ

Google (GOOGL) wins U.S. approval for radar-based hand motion sensor – Reuters

Navy pursuing buy of two aircraft carriers (**HII**) – Reuters

Macau gaming revenue rose 14% in 2018, second consecutive year of gains, as December rose 16.6% - Reuters

Equifax (EFX) data breach back in 2019 agenda – WSJ

Athleisure business slows as consumers seek jeans, boots (**LULU, GPS**) - NY Post

More auto dealers, startups enabling Amazon-style direct sales online (**CVNA**) – WSJ

House Democrats plan to move forward with infrastructure plan in 2019 (**SUM, VMC, USCR**) – FT

Western insurers rush to seize on China market opening – FT

DRAM market to see lower CapEx, moderated output in 2019 due to weak demand – DRAMEXchange

Chesapeake (CHK) bet on oil, then prices plunged – WSJ

Nielsen (NLSN), CBS contract estimated at over \$100M has expired - Variety

STOCK SPECIFIC NEWS OF NOTE

Windstream (WIN) sells EarthLink consumer internet business for \$330M

Activision Blizzard (ATVI) terminates employment of CFO Neumann; **Netflix (NFLX)** hires him

Middleby (MIDD) acquires EVOAmerica

Tenet Healthcare (THC) announces new multi-year agreement with **Cigna (CI)**

Allergan (AGN), Biogen (BIIB), Bristol Myers (BMY), Eli Lilly (LLY) raise drug prices

Omega Healthcare (OHI) to acquire MedEquities Realty Trust in \$600M deal

Deciphera (DCPH) announces 'positive' preliminary data from Phase 1 study with DCC-3014

PRE-MARKET MOVERS

Moving Higher:

Moving Lower: RIO -3.7%, TWLO -3%, BILI -3%, NIO -3%, MU -2.9%, SQ -2.8%, NVDA -2.2%

INSIDER TRADING (Form 4 Filings)

Buying: HY, SRAX, SGMS, OPK, REV, AES, IFF

Selling: FL, TFX, NG, PPL, W, DIS, CDXS, BMRN, MRIN, ILMN, DAL, SHAK, AMD, ANTM, WWE

INSTITUTIONAL MONEY FLOW

Buying: BABA, KHC, GOOG, CVX, LMT, HAL, KO, CFG, DAL, MAT, C, NVDA, CVS

Selling: NFLX, BAC, AAPL, AMD, IBKR, CRM, MA, MSFT, JPM, LYB

OPTION HIGHLIGHTS (Prior Day)

Goodyear Tires (GT) with 5,300 Jan. 2021 \$18 puts opening for \$2.50 and name which has seen bearish flow accumulate recently across the July \$17, April \$16 and \$18, and Jan. 2021 \$13 strikes. Shares are trading back to the 13-EMA today after touching 52-week lows last week and weekly bear flag measures down to \$15 on a breakdown under \$19 support. GT has been in a steady downtrend since early 2018 has around 25% downside to key volume support. The \$4.88B company trades 6.87X earnings, 0.31X sales, and 14.35X FCF with a 3.15% yield. GT has slashed estimates all year and sees revenue growth up 2.4% in 2019 and flat to no growth in 2020 while margins have contracted significantly but still not close to trough levels from 2012/2013. GT is struggling with International sales in EMEA after new emissions standards were enacted while volumes in North America remain weak. They also face headwinds from a stronger dollar and deteriorating conditions in China where shipments fell more than 4%. OE customers have also continued to cut down orders for 2019 as inventories build and could setup a multi-quarter problem for GT. Analysts have an average target for shares of \$25 with 5 buy ratings, 6 hold ratings, and 1 sell rating. Berenberg cautious this Fall as the market is oversupplied near-term, especially premium tires, and commercial vehicle sales continue to fall by double-digits. Institutional ownership fell 2.5%. Short interest is 5.9%, steady with the last three years and slightly elevated from the May levels near 4.8%.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.44	Extreme Low
CBOE Index Put/Call Ratio	0.99	Low
CBOE Skew Index	117.26	Multi-Month Lows
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	12	Extreme Fear
NYMO	-9.91	Neutral
NYSE Highs/Lows	-26	Neutral
McClellan Summation	-1083	Below 8-EMA
Univ. of Michigan Consumer Sentiment	97.5 (December)	1.7%+

SMART MONEY (13g/13d Filings)

Lone Pine Capital 5.5% passive stake in **Tiffany (TIF)**

Boxer Capital reports 7.5% passive stake in **DBV Technologies (DBVT)**

POTENTIAL SYMPATHY TRADES

MLCO, WYNN, MGM, LVS – on Macau data

IPO /SECONDARY MONITOR

Nothing Scheduled

TRADE

WEEKLY TECHNICAL BREAKOUT

DORM:



Dorman Products (DORM) shares are consolidating in a bull flag under \$90 and back above its key short-term moving averages. MACD crossed over bullish on Friday and RSI is moving back above 60.

FUNDAMENTAL TRADE OF THE WEEK

Stock: ResMed (RMD)

Price: \$112

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	27X	6.8X	8.4X	23.2X	41.3X
Industry Avg.	48X	4.3X	4.2X	25.7X	36.8X

Analysis: RMD is a \$16.4B med-tech company which focuses on cloud-based software to treat respiratory disorders like sleep apnea. RMD has more than 6M devices in service with 66M patient accounts and adding new products to expand their reach in underpenetrated markets like COPD.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

SNBR:



Sleep Number (SNBR) shares are consolidating below their 200-day MA and above key support at \$31. A breakdown measures out to \$28 while longer-term trend break measuring down to \$24. MACD is crossing over bearish on the weekly.

PAIR TRADE OF THE WEEK

Industry: Live Events

Long/Short: Long **Disney (DIS)**, Short **Live Nation (LYV)**

Analysis: DIS trades cheap given its long-term earnings outlook and strong FCF with catalysts next year from park openings, Fox synergies and a strong film slate. LYV has been on an M&A binge recently and net-debt to EBITDA at its highest leverage in over two years. They also face a potential FTC complaint into online ticketing.

SMALL CAP TRADE OF THE WEEK

Fabrinet (FN) is a \$1.94B optical company which focuses on switching products, cables, and tunable lasers. Shares trade 12.8X earnings, 1.39X sales, and 11X FCF. FN expects double-digit EPS growth through 2021 with 9-12% sales growth up to \$2B. Short interest has dropped sharply since early 2018, down from over 10% to 1.8%, and

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Cardinal (CAH)	Helmerich (HP)	Weatherford (WFT)
Public Storage (PSA)	Omnicom (OMC)	Novavax (NVAX)
Liberty (LBTYK)	FLIR Systems (FLIR)	Acadia (ACAD)
Fidelity (FIS)	Legg Mason (LM)	Aphria (APHA)
Qurate (QRTEA)	Dish Network (DISH)	Tencent Music (TME)
Flir Systems (FLIR)	Go-Daddy (GDDY)	Nokia (NOK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Corbus (CRBP)	Omnicom (OMC)	Mondelez (MDLZ)
Santander (SAN)	Legg Mason (LM)	Portola (PTLA)
New Oriental (EDU)	ADT (ADT)	Blue Apron (APRN)
Novavax (NVAX)	Helmerich (HP)	Editas (EDIT)
Cardinal Health (CAH)	Ultra Clean (UCTT)	Ziopharm (ZIOP)
Qurate (QRTEA)	TD Ameritrade (AMTD)	Gamestop (GME)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Most Volatile Stocks</u>
Regions (RF)	Noble (NBL)	Natural Health (NHTC)
Cabot Oil (COG)	Las Vegas Sands (LVS)	Aurinia (AUPH)
Ebay (EBAY)	Cisco (CSCO)	CVR Refining (CVRR)
Broadcom (AVGO)	Disney (DIS)	Prospect Capital (PSEC)
Caterpillar (CAT)	Micron (MU)	Calix (CALX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
General Electric (GE)	Twitter (TWTR)	Helmerich (HP)
Ford Motor (F)	Facebook (FB)	Omnicom (OMC)
P&G (PG)	Zynga (ZNGA)	FLIR Systems (FLIR)
Ebay (EBAY)	Intel (INTC)	Cardinal (CAH)
Qualcomm (QCOM)	AT&T (T)	Public Storage (PSA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Nutrien (NTR)	Tyson (TSN)	XBI, February 1st (W) \$72.5/\$78 call ratio spread 5,000X10,000
SBA Communications (SBAC)	Cypress (CY)	EDU, July \$55/\$65 call spread trading 500X
Facebook (FB)	Citi (C)	SNA, January \$145/\$155 call spread being bought 430X
Twitter (TWTR)	General Motors (GM)	GDDY, 1,500 February \$65/\$55 put spreads
Cardinal (CAH)	Teva Pharma (TEVA)	BBY, 1,000 February \$50/\$40 put spreads

Extras

Herbalife (HLF) late buyers of 2,000 January 25th (W) \$56 calls for \$4.10 to \$4.30

AT&T (T) opening sale of 3,000 February 1st (W) \$31 ITM puts for \$3.10

Ubiquiti (UBNT) with 1,000 February \$100 puts opening as January \$95 puts adjusted

I-Robot (IRBT) with 500 February \$85 puts bought to open \$11 to \$12