

## TOP STORIES

- Markets Rise as Hopes for End to Shutdown Grow After Senate Vote
- Mnuchin: US, China Making Progress in Talks
- German Business Confidence Deteriorates Amid Heightened Risks
- Trump Associate Roger Stone Arrested on Seven Counts in Mueller's Probe
- Intel Projects Slower Revenue Growth this Year, Hitting Semi Momentum

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2654 (20)</b>	<b>12.27</b>
<b>Nasdaq</b>	<b>6742.25 (67.25)</b>	<b>32.70</b>
<b>Dow</b>	<b>24642 (184)</b>	<b>120.76</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	<b>6834.04</b>	<b>0.22%</b>
DAX	<b>11300.07</b>	<b>1.53%</b>
Nikkei	<b>20773.56</b>	<b>0.97%</b>
Hang Seng	<b>27569.19</b>	<b>1.65%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Durable Goods	1.8%
10:00	New Home Sales	569K
1:00	Baker Hughes Rig Count	

## FOREX

EUR/USD	<b>1.1344 (0.34%)</b>
USD/JPY	<b>109.79 (0.15%)</b>
USD/CAD	<b>1.3314 (-0.25%)</b>
GBP/USD	<b>1.3093 (0.22%)</b>

## COMMODITY

Oil	<b>53.23 (0.19%)</b>
Natural Gas	<b>3.106 (0.23%)</b>
Gold	<b>1283.4 (0.28%)</b>
Copper	<b>2.652 (0.29%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	<b>18.89 (-3.23%)</b>
Nasdaq	VXN	<b>23.49 (-4.12%)</b>
Oil	OVX	<b>36.75 (-2.5%)</b>
Gold	GVZ	<b>10.37 (-2.26%)</b>

## MARKET OUTLOOK

Futures are indicating a higher open to close the week although a slight roll off the best levels of the morning after reports that Trump confidant Roger Stone has been arrested. The move comes following an indictment in Robert Mueller's probe. The White House appears to be finally bending a bit on Shutdown demands after yesterday's unsuccessful vote in the Senate. POTUS is now suggesting a 'down payment' on a border wall even those congressional Democrats have said no to that idea. The two sides are talking more openly now, however. A group of Chinese deputy ministers will arrive in Washington on Monday to set the stage for the next round of trade talks. The dollar is fading this morning back towards the 96 level, giving back some of yesterday's gains. Overall for the week, pretty uneventful after the recent strength.

Asian markets closed the week broadly higher with the Nikkei climbing to a 5-week high. Chip stocks were strong led by Apple suppliers. Silicon product maker **Sumco** was higher by 12% while **Tokyo Electron** and **Advantest** both rose 5%. Tokyo CPI came in a bit hot in January at 1.1% vs 0.9% expected. Singapore industrial production fell more than expected in December, down 5.6% vs a 5.4% drop which was forecast.

European markets are strong early this morning with the DAX up over 1.5%, its highest level in nearly two months. Telecom was weak with **Vodafone** and **Telia** results lagging. Fragrance and flavor maker **Givaudan** was down 3.5% after weak earnings. German IFO business sentiment fell in the latest reading to 99.1 vs 100.7 expected. This is the lowest reading since April 2016. Business expectations fell to 94.2, down from 97.3 and below the 97.0 expected. UK mortgage approvals slowed in the recent report as Brexit weighs.

## S&P TECHNICALS

**Levels:** Support 2,600/2,575; Resistance 2,700/2,750



4790 Advancing	Declining 2347
63.8%	31.2%
60 New High	New Low 45
57.1%	42.9%
4757 Above SMA50	Below 2747
63.4%	36.6%
1909 Above SMA200	Below 5595
25.4%	74.6%

**KEY EVENTS TO WATCH**

**Economic Data on Monday:** Chicago Fed Activity Index, Dallas Fed Manufacturing;

**Earnings BMO:** ARLP, BOH, CADE, CAT, OPB, SALT;

**Earnings AMC:** AKS, BRO, CE, CR, ETH, GGG, JJSF, RMBS, RGA, SANM, WHR, WWD;

**Conferences:** STS Annual Meeting (ABT, ABMD, ANGO, ATRC, BSX, EW, HCA, ISRG, JNJ, LIVN, MDT, ZBH)

**ANALYST ACTION/COMMENTS**

**CalAmp (CAMP)** upgraded to Overweight at JP Morgan

**Valero (VLO)** upgraded to Neutral at Goldman Sachs

**Avaya (AVYA)** upgraded to Overweight at Barclays

**Sallie Mae (SLM)** upgraded to Outperform at BMO

**McCormick (MKC)** upgraded to Hold at Deutsche Bank

**Rockwell (ROK)** upgraded to Buy at HSBC

**Flir Systems (FLIR)** upgraded to Outperform at Baird

**HD Supply (HDS)** upgraded to Outperform at Baird

**Cognizant (CTSH)** upgraded to Outperform at Bernstein

**Triumph (TGI)** upgraded to Outperform at Cowen

**Tapestry (TPR)** upgraded to Outperform at Wolfe

**Icon (ICLR)** upgraded to Buy at Mizuho

**Carnival (CCL)** upgraded to Outperform at Macquarie

**HSBC** downgraded to Neutral at Keefe Bruyette

**Hawaiian Air (HA)** downgraded to Hold at Deutsche Bank

**Illumina (ILMN)** downgraded to Hold at Deutsche Bank

**Norfolk Southern (NSC)** cut to Hold at Deutsche Bank

**PBF Energy (PBF)** downgraded to Sell at Goldman

**Rogers (RCI)** downgraded to Neutral at Macquarie

**First Horizon (FHN)** downgraded to Neutral at Evercore

**PNC Financial (PNC)** cut to Neutral at Deutsche Bank

**Aptiv (APTV)** downgraded to Neutral at Piper

**ResMed (RMD)** downgraded to Neutral at Goldman

**Intel (INTC)** downgraded to Neutral at Susquehanna

**MEDIA HIGHLIGHTS**

Big bank CEOs to testify before House Financial Services Committee – CNBC

Pentagon to look into **Amazon (AMZN)** worker's influence on \$10B cloud contract – Washington Post

**General Electric (GE)** considering strategic options for GE Ventures - Bloomberg

**Intel (INTC)** still searching for a new CEO - NY Times

**Vodafone (VOD)** 'pausing' installation of **Huawei** equipment amid probe - FT

**Ford Motors (F)** CEO aims to double annual operating profit - Reuters

**Amazon (AMZN)** asks consumer good companies to create exclusive brands – WSJ

China reportedly to sharply cut 2019 PV subsidies – Digitimes

Video-game revenue is headed for its first decline since 1995, down 1% this year – Bloomberg

**Asahi** Buys **Fuller's London Pride** brewing business in \$330M deal – Bloomberg

**MGM Resorts (MGM)** considers alternatives outside of merger with Caesars – NY Post

Elliott Management will likely wage proxy campaign to shake up **Arconic (ARNC)** – Reuters

**Alibaba (BABA)** to continue to invest aggressively, says executives – Reuters

No Pay Stub? No Problem. Unconventional Mortgages Are Back – WSJ

**Mastercard (MA)** makes \$305M bid to acquire Earthport, topping peer **Visa's (V)** offer – Reuters

**Toys R US** execs talking about brand comeback (**HAS, MAT**) – NY Post

**STOCK SPECIFIC NEWS OF NOTE**

**Amgen (AMGN)** receives NMPA approval for Repatha in China

**Globus Medical's (GMED)** SECURE-C receives expanded insurance coverage

**Albemarle (ALB)**, Corfo announce resolution in Chile

**PG&E (PCG)** says it still faces 'extensive litigation' even after Cal Fire announcement

**Medtronic (MDT)** to Acquire EPIX Therapeutics

**PRE-MARKET MOVERS**

**Moving Higher:** WDC 8%, ERIC 3.5%, SBUX 3%, MU 2.7%, NOK 2.4%, STM 2.4%

**Moving Lower:** PCG -8%, CRBP -7.7%, INTC -6%

**INSIDER TRADING (Form 4 Filings)**

**Buying:**

**Selling:** PNC, MA, HQY, TWLO, NFLX, FIVN, SLB, ALSN, MIME, BAX, MPWR, W, MS, MEDP, AMT

**INSTITUTIONAL MONEY FLOW**

**Buying:** DWDP, MSFT, CVS, ITUB, PG, CRM, FCX, CSX, MRK, PM, UTX, TAL, NKE, GWW, BMY, WFC

**Selling:** TSLA, AMZN, DBC, FANG, UNP, EBAY, CAT, COG, LRCX, DXC, CSCO, HST

**OPTION HIGHLIGHTS (Prior Day)**

**EOG Resources (EOG)** buyer today of 6,600 June \$105 calls for \$4.65 in a stock replacement, sizable positioning which follows buyers in the April \$100/\$90 bull risk reversal and the June \$115/\$85 bull risk reversal on 1/16. The Jan. 2020 \$105/\$85 bull risk reversal opened on 1/9 as well, 800X. EOG still has the Jan. 2020 \$135/\$105 bull risk reversal in OI 7,500X from June. EOG shares have rallied off of recent lows and now flagging under \$102.50 and above its 20-EMA with the 200-EMA above at \$107.50. Shares bounced off a big volume area from 2017 and room back near recent highs around \$120/\$130 from 2018. The \$55.75B energy company trades 3.5X sales, 8.75X FCF and 8.15X EV/EBITDA with a 1% yield. The company has been cutting costs, down 5% in 2018, and targeting further reductions in 2019 as they look to return to positive EPS growth in 2020. They see revenue growth of 4% in 2019 and 13.5% in 2020 as they boost spending to complete more high-margin wells in key areas like the Delaware, Eagle Ford, and Bakken. EOG has balanced record crude volumes with cost cuts in 2018 while NGL productions jumped late in the year, up 46%. Analysts have an average target for shares of \$132 with 18 buy ratings and 7 hold ratings. Short interest is 2.6% but up from 1.5% in July. RBC upgraded shares to Outperform on 1/7 with a \$125 PT. The firm is positive on EOG's efforts to decouple the business from commodity prices by focusing on debt reduction, premium drilling, and capturing margin in ancillary areas. JP Morgan upgrading to Overweight on 12/7 citing its more defensive tilt which will outperform peers assuming oil prices remain near strip levels. Institutional ownership rose 11.7% last quarter.

**AFTER HOURS MOVERS**

**Gainers:** SBUX 2%

**Losers:** RMD -8%, INTC -7%, CRBP -6%, PCG -5%, ISRG -5%, ETFC -4%, WDC -4%, DFS -3%, ALK -2.5%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.70	Flattening
CBOE Index Put/Call Ratio	0.99	Low
CBOE Skew Index	131.19	Multi-Month High
VIX Curve	Contango	Neutral
CNN Fear & Greed Index	51	Neutral
NYMO	104.79	High
NYSE Highs/Lows	58.96	Four Month High
McClellan Summation	77.25	Above 8-EMA
Univ. of Michigan Consumer Sentiment	90.7 (January)	-7.7%

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

**POTENTIAL SYMPATHY TRADES**

LIN – on APD earnings

STX, MU, AMAT – on WDC guidance

COF, AXP, SYF, MA, V – on DFS earnings

**IPO /SECONDARY MONITOR**

**Fortress Energy (NFE)** issuing 22.2M shares at \$17-\$19; Gas-to-power company seeking to use "stranded" natural gas



## DAILY OPTIONS REPORT

### Unusual Call Activity

### Unusual Put Activity

### Implied Volatility Riser

Avon (AVP)	F5 Networks (FFIV)	Synergy (SGYP)
Tempur Sealy (TPX)	Textron (TXT)	JC Penney (JCP)
WR Grace (GRA)	Amicus (FOLD)	Denbury (DNR)
ADTRAN (ADTN)	Extreme Networks (EXTR)	Hormel (HRL)
LPL Financial (LPLA)	McCormick (MKC)	Clearway (CWEN)
Xilinx (XLNX)	Myriad Genetics (MYGN)	Triumph (TGI)

### Lowest Put/Call Ratio

### Highest Put/Call Ratio

### Implied Volatility Decliner

Barnes & Noble (BKS)	PBF Energy (PBF)	PG&E (PCG)
Avon (AVP)	Treehouse (THS)	Overstock (OSTK)
Sprouts (SFM)	Endo Int'l (ENDP)	Textron (TXT)
EnSCO (ESV)	Myriad Genetics (MYGN)	Immunomedics (IMMU)
Gogo (GOGO)	Fox (FOXA)	ADTRAN (ADTN)
Sprint (S)	Fibrogen (FGEN)	Varian (VAR)

### OTM Calls on Offer

### OTM Puts on Offer

### Elevated IV30

LPL Financial (LPLA)	SM Energy (SM)	Evolus (EOLS)
Amicus (FOLD)	Intelsat (I)	MacroGenics (MGNX)
Nio (NIO)	Bank of NY (BK)	Ascendis (ASND)
JD.com (JD)	Amarin (AMRN)	Intercept (ICPT)
DR Horton (DHI)	Tesla (TSLA)	Pyxus (PYX)

### Positive Net Delta

### Negative Net Delta

### Option Volume Gainers (%)

Micron (MU)	Eli Lilly (LLY)	F5 Networks (FFIV)
Intel (INTC)	AT&T (T)	Textron (TXT)
Las Vegas Sands (LVS)	Biotech (XBI)	Amicus (FOLD)
Ford Motor (F)	Synchrony (SYF)	Avon (AVP)
Nvidia (NVDA)	J&J (JNJ)	Tempur Sealy (TPX)

### Bullish Call Flow

### Bearish Put Flow

### Large Spread Trades

Taiwan Semi (TSM)	Zscaler (ZS)	BKS, 3,300 March \$5/\$7 call spreads
Netflix (NFLX)	VMWare (VMW)	SEDG, 1,000 February \$40/\$35 bear risk reversals
Ball (BLL)	Bank of NY (BK)	AHL, 2,000 February \$40/\$35 put spreads
RH (RH)	Platform (PAH)	MYGN, March \$27/\$22 put spread being bought 1,000X
EOG Resources (EOG)	Fibrogen (FGEN)	FCAU, June \$17/\$20 call spread opening 3,500X7,500



## Extras

**Aerie Pharma (AERI)** buyer of 1,500 March \$40 puts to open for \$2.20

**GIII Apparel (GIII)** buyer of 1,000 February \$35 calls to open \$1.23 to \$1.40

**Foot Locker (FL)** buyer of 600 March 8<sup>th</sup> (W) \$50 ITM calls to open \$8.30 to \$8.40

## Earnings After the Close

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
ALK	Alaska Air	\$0.75	\$0.71	\$2,064.00	\$2,056.79	6.30%	
AVT	Avnet	\$1.04	\$1.04	\$5,049.00	\$5,073.16	11.70%	Q3 In Line
DFS	Discover Financial	\$2.03	\$2.06	\$2,807.00	\$2,809.52	7.40%	
ETFC	E*TRADE	\$1.06	\$1.04	\$735.00	\$745.69	15.40%	
FII	Fed Investors	\$0.61	\$0.59	\$307.20	\$305.68	10.40%	
INTC	Intel	\$1.28	\$1.22	\$18,657.00	\$19,015.03	9.40%	FY Below
ISRG	Intuitive Surgical	\$2.96	\$3.07	\$1,046.50	\$1,046.74	17.30%	
MRTN	Marten Transport	\$0.29	\$0.27	\$203.96	\$208.13	11.60%	
NSC	Norfolk Southern	\$2.57	\$2.28	\$2,896.00	\$2,848.10	8.50%	
OSIS	OSI Systems	\$1.19	\$0.96	\$303.21	\$287.18	9.30%	Raises FY
RMD	ResMed	\$1.00	\$0.95	\$651.10	\$676.77	8.30%	
SBUX	Starbucks	\$0.75	\$0.65	\$6,632.70	\$6,487.13	9.20%	Raises FY
SIVB	SVB Financial Group	\$4.96	\$4.70	\$673.69	\$697.89	30.00%	
WDC	Western Digital	\$1.45	\$1.50	\$4,233.00	\$4,258.99	-20.70%	

**ETFC – Beat on EPS and Missed on Revenues** – Reports Q4 Daily Average Revenue Trades (DARTs) of 296,000, including derivative DARTs of 93,000. "This was a year of records for E\*TRADE. We generated our highest net revenue, operating margin, and earnings, while capitalizing on an unprecedented operating environment to produce record organic business growth. We drove our strongest growth in net new brokerage accounts and assets, while we grew our stock plan channel at our best rate ever. We gained a foothold in advisor solutions, and significantly expanded the scale of our brokerage through opportunistic acquisitions. We accomplished all of this while returning more than \$1 billion to our shareholders via share repurchases and our first ever quarterly dividend," said Karl Roessner, Chief Executive Officer.

**INTC – Beat on EPS and Missed on Revenues, FY Light** – "2018 was a truly remarkable year for Intel with record revenue in every business segment and record profits as we transform the company to pursue our biggest market opportunity ever," said Bob Swan, Intel CFO and Interim CEO. "In the fourth quarter, we grew revenue, expanded earnings and previewed new 10nm-based products that position Intel to compete and win going forward. Looking ahead, we are forecasting another record year and

raising the dividend based on our view that the explosive growth of data will drive continued demand for Intel products."

**NSC – Beat on EPS and Revenues** – OR was 62.8%. Overall volumes were up 3%, reflecting growth in the major commodity categories of intermodal and coal, while merchandise was relatively flat.

**SBUX – Beat on EPS and Revenues, FY Above** – "Starbucks delivered solid operating results in the first quarter, demonstrating continued momentum in our business, as we drive our growth-at-scale agenda with focus and discipline. We are particularly pleased with the sequential improvement in quarterly comparable store transactions in the U.S., underpinned by our digital initiatives and improved execution of our in-store experience. With this solid start to the fiscal year, we are on track to deliver on our full-year commitments," said Kevin Johnson, president and CEO.

**WDC – Missed on EPS and Revenues** - "Despite a softening business environment, our fiscal second quarter results were generally within our guidance ranges," said Steve Milligan, chief executive officer, Western Digital. "We are taking actions to better align our cost and expense structure to near-term business conditions while continuing to deliver innovative solutions to drive our future success. We enter calendar 2019 with the strongest product portfolio in our history and confidence in our ability to capitalize on the long-term opportunities associated with data growth."

#### Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
ABBV	AbbVie		\$1.93		\$8,371.47		
APD	Air Products	\$1.86	\$1.87	\$2,224.00	\$2,268.61	0.30%	Affirms FY
CL	Colgate-Palmolive	\$0.74	\$0.73	\$3,811.00	\$3,780.21	-2.10%	FY Light
DHI	D.R. Horton	\$0.76	\$0.77	\$3,519.00	\$3,488.57	5.60%	
ERIC	Ericsson	-\$0.77	\$1.05	\$63,800.00	\$61,501.90	10.20%	
HRC	Hill-Rom	\$1.02	\$0.98	\$683.50	\$676.39	2.10%	Q2, FY Below
LEA	Lear	\$4.05	\$3.92	\$4,942.40	\$4,992.60	-7.90%	Affirms FY
MOG.A	Moog		\$1.13		\$676.28		
NEE	NextEra Energy		\$1.54		\$4,837.20		
NVR	NVR		\$49.62		\$1,967.30		