

TOP STORIES

- Global Markets Fade Amid Skepticism Over Border Wall Deal, Busy Macro Week
- US, China Delegations Prep for Latest Round of Trade Talks in Washington
- China's Industrial Profits Continued to Shrink in December
- Trump Ready to Close the Government Again to Get Wall Funding
- Iron Ore Jumps on Supply Concerns Following Vale Dam Collapse

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2651 (-12.5)	-12.96
Nasdaq	6751.25 (-40)	-43.12
Dow	24584 (-112)	-119.20

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6784.38	-0.36%
DAX	11249.5	-0.29%
Nikkei	20649	-0.60%
Hang Seng	27576.96	0.03%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Chicago Fed	0.15
10:30	Dallas Fed	-4.6

FOREX

EUR/USD	1.1406 (-0.05%)
USD/JPY	109.49 (-0.04%)
USD/CAD	1.3236 (0.14%)
GBP/USD	1.3144 (-0.43%)

COMMODITY

Oil	52.72 (-1.81%)
Natural Gas	2.907 (-8.53%)
Gold	1299.2 (0.08%)
Copper	2.7115 (-0.64%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	17.42 (-7.78%)
Nasdaq	VXN	21.78 (-7.28%)
Oil	OVX	35.21 (-4.19%)
Gold	GVZ	11.12 (7.23%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning ahead of an eventful week for markets. The big focus will be on the massive slate of earnings with the peak week for mid- and large-cap stocks. A number of macro events also on watch. The Brexit vote will be on Tuesday in UK parliament, the next round of US/China talks will start on Wednesday, and the first FOMC decision of the year will come on Wednesday as well. The extradition deadline for the Huawei CFO is also this week. We may also see US bank stress test criteria released on Friday. Trump's State of the Union was scheduled for Tuesday but remains on hold despite the government re-opening. Also, mainland China markets will be closed next week for Lunar New Year.

Asian markets were mixed overnight with the Nikkei closing weak behind a stronger yen. Some large-cap tech stocks saw profit-taking ahead of a big week for tech earnings in the region. **Suzuki** was down 3.5% after their India subsidiary posted a weak quarter. Iron ore prices jumped in Asia with speculation that the global supply may be interrupted. The BOJ minutes were released last night and continue to show policymakers disagreeing over the level of bond yields. Hong Kong imports fell 7% in December while exports fell 5.8%, both down sharply from November.

European markets opened weak this morning but bouncing modestly back near unchanged on the morning. **Alstom** fell 2% after offering more concessions to push through their deal with Siemens. UK-grocer **Ocado** was higher by 4% after a deal with Marks & Spencer to launch a food delivery service. The aluminum market rebounded a bit after the US lifted sanctions on **Rusal**. Eurozone private loan growth slowed in the most recent report to 3.3% from 3.4% expected. Mario Draghi will speak later this morning.

S&P TECHNICALS

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



5451 Advancing	Declining 1709
72.6%	22.7%
96 New High	New Low 25
79.3%	20.7%
5269 Above SMA50	Below 2235
70.2%	29.8%
2095 Above SMA200	Below 5409
27.9%	72.1%

KEY EVENTS TO WATCH

Earnings After the Close: 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);

Economic Data: FOMC Begins, International Trade at 8:30 AM, Case-Schiller at 9:00, Consumer Confidence at 10:00;

Earnings Tuesday BMO: MMM, AOS, AGN, AXE, ALV, BIIB, EAT, CIT, CVLT, GLW, DHR, DOV, EXP, EXTR, GPK, HOG, HRS, HCA, LLL, LMT, MTOR, NUE, PCAR, PNR, PFE, PHG, PII, POL, PHM, ROK, SAP, VZ, XRX;

ANALYST ACTION/COMMENTS

BHP Billiton (BHP) upgraded to Buy at Jefferies

Actuant (ATU) upgraded to Neutral at JP Morgan

US Steel (X) upgraded to Neutral at MSCO

Synnex (SNX) upgraded to Buy at Citi

Fiserv (FISV) upgraded to Outperform at RBC Capital

Grub Hub (GRUB) upgraded to Outperform at CSFB

Wayfair (W) upgraded to Outperform at CSFB

Sanderson Farms (SAFM) upgraded to Buy at Mizuho

Zynga (ZNGA) upgraded to Overweight at Keybank

Logitech (LOGI) upgraded to Buy at Goldman Sachs

Vale (VALE) downgraded to Neutral at BMO

Autohome (ATHM) downgraded to Sell at JP Morgan

Crispr (CRSP) downgraded to Neutral at Goldman

NRG Energy (NRG) downgraded to Hold at Deutsche Bank

AK Steel (AKS) downgraded to Neutral at MSCO

ABB downgraded to Sell at Berenberg

Huntington (HBAN) downgraded to Hold at Jefferies

US Bank (USB) downgraded to Neutral at Baird

Sun Trust (STI) downgraded to Neutral at Baird

Bank of Montreal (BMO) downgraded to Sell at BAML

Olin (OLN) initiated Overweight at Keybank

DocuSign (DOCU) initiated Overweight at Keybank, \$59 PT

MEDIA HIGHLIGHTS

MoneyGram (MGI) exploring strategic alternatives, including sale – Reuters

Barron's positive **GILD, TER, DELL, INTC**

Alphabet (GOOG), Century Link (CTL) have both expressed interest in **Zayo Group (ZAYO)** – Bloomberg

Walgreens (WBA) has won Shopko's pharmacy assets at auction – WSJ

PG&E (PCG) is still planning to file for bankruptcy despite being exonerated from the 2017 fires – Axios

Amazon (AMZN) is mulling physical stores in London – Daily Mail UK

Q1 is likely to be 'very disappointing' for IPO market, despite government re-opening – Bloomberg

Anbang is exploring the sale of more than \$400M in US office property sales – Bloomberg

Deutsche Bank (DB) has secured a commitment for additional investment from Qatar – Bloomberg

Buzzfeed is considering a merger with publisher **Group Nine** – Re/Code

LafargeHolcim considering a sale of its Philippines Unit, could fetch \$2.5B. – Bloomberg

Pfizer (PFE) seeks next round of growth through oncology – WSJ

Google (GOOG), Amazon (AMZN) look to expand into electricity amid home automation – WSJ

Chipmaker **Xilinx's (XLNX)** 5G orders kick off race to cash in on new networks – Reuters

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STOCK SPECIFIC NEWS OF NOTE

Boeing (BA) wins \$2.5B Naval contract

Vale SA (VALE) board weighs non-payment of dividends after dam breach

Entegris (ENTG), Versum Materials (VSM) to combine in \$9B merger of equals

Chemical Financial (CHFC), TCF Financial (TCF) announce all-stock merger of equals

Alexion (ALXN) reports 'positive' results from Phase 3 study of ULTOMIRIS

PRE-MARKET MOVERS

Moving Higher:

Moving Lower: VALE -11.3%, UNG -6%, PCG -3.5%

INSIDER TRADING (Form 4 Filings)

Buying: GTT, BLPH, DISH

Selling: ATRA, FB, EXAS, IRWD, SQ, GDDY, TNDM, CAN, GHDX, CSX, ILMN, ELF

INSTITUTIONAL MONEY FLOW

Buying: CMCSA, BMY, PG, WMT, PFE, VALE, COST, LLY, VZ, MDLZ, WAB, AAP, MKC

Selling: AMZN, JPM, GOOG, T, HAL, MU, FDC, CSCO, SBUX, LOXO, INFO, IAC, EBAY

OPTION HIGHLIGHTS (Prior Day)

The Gap (GPS) with another 5,000 March \$26 puts being bought today from \$1.79 to \$1.85, spot where 10,000 have been bought recently with shares coiled near recent lows. GPS had seen some March \$28 calls accumulate in November as well but over 10,000 closing in mid-December. Shares are consolidating near 52-week lows and back into downtrend resistance today at \$25.75. A move under \$24.50 has room to \$22-\$23. Longer-term, the uptrend from the 2016 lows has broken and re-testing that level last week. The \$9.48B company trades 9.5X earnings, 0.57X sales, and 7.56X cash with a 3.85% yield. GPS sees EPS growth slowing to 3.1% in FY2020 and down 1.6% in FY21 while sales growth is slowing from 5% to 1.9% and 1.1% respectively. Margins have also started to flatten out after a two-year period of expansion. GPS is undergoing the early stages of a massive plan to shrink their store footprint closing underperforming stores to focus on stronger areas. This is coupled with an expansion push into Asia, especially Japan, could see near-term headwinds from trade. Analysts have an average target for shares of \$30.50 with 3 buy ratings, 16 hold ratings, and 3 sell ratings. Goldman downgraded to Sell on 1/22 with a \$23 PT. They think fundamentals for their specialty brands have been weak for some time and a more aggressive portfolio rationalization at the Gap brand will prove to be insufficient to reinvigorate the business. They also anticipate a tougher than expected Holiday season amid deteriorating brand momentum and elevated promotionality which are compounding mall-based retailing pressures. Barclays cut to Underweight recently noting that challenging traffic trends and difficult comps make near-term visibility difficult. They also think cost pressures will be larger than expected. Short interest is 6.7% and up from 5% in August. Institutional ownership rose 1% last quarter.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.70	Flattening
CBOE Index Put/Call Ratio	1.11	Neutral
CBOE Skew Index	126.11	Off of Extreme Lows
VIX Curve	Flat	Normal
CNN Fear & Greed Index	58	Greed
NYMO	77.34	Elevated
NYSE Highs/Lows	62	Multi-Month Highs
McClellan Summation	328.82	Above 8-EMA
Univ. of Michigan Consumer Sentiment	90.7 (January)	-7.7%

SMART MONEY (13g/13d Filings)

POTENTIAL SYMPATHY TRADES

DE, CNHI, AGCO – on CAT earnings

DOCU – on DBX deal for HelloSign

IPO /SECONDARY MONITOR

No IPOs scheduled at this time

TRADE

WEEKLY TECHNICAL BREAKOUT

SAIL:



Sailpoint (SAIL) is back near a big base breakout at \$27.50 after clearing the 200-EMA recently. Shares are riding the 8- and 13-EMA higher while a move higher targets \$29 and the high-end of the recent range. Shares traded as high as \$34 last Fall. SAIL closed at a 60-day high and near session highs on Friday.

FUNDAMENTAL TRADE OF THE WEEK

Stock: West Pharmaceutical (WST)

Price: \$106.75

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	34.2X	4.6X	5.84X	22.7X	41.8X
Industry Avg.	--	--	--	--	--

Analysis: WST is a \$7.89B maker of components for injectable drug delivery and plastic packaging including things like stoppers and seals as well as syringe components. WST has seen a pickup in organic growth driven by growth in generics and pharma while their smartdose delivery platform continues see strong demand and customer growth.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

EVH:



Evolent Health (EVH) shares are consolidating near recent support at \$17 with MACD crossing over bearish and RSI weakening but not yet oversold. Shares made a 30-day low on Friday and closed weak within the lower 25th percentile of its range. A move lower target \$15.50.

PAIR TRADE OF THE WEEK

Industry: Apparel

Long/Short: Long **Abercrombie (ANF)**, Short **Gap (GPS)**

Analysis: ANF trades 0.40X sales and 9X FCF with 17-20% EPS growth. The company is on track for \$1B in digital sales while margins are expanding and operating leverage improves. Their Hollister Brand continues to outperform in the teen retail space. GPS faces cost pressures from their reorganization while peak margins and trade headwinds remain a concern.

SMALL CAP TRADE OF THE WEEK

Bandwidth (BAND) is an \$856M company which trades 4.25X EV/sales and 13.5X cash with limited debt and revenue growth of 12.5% and 20% in the next two years. BAND is a cloud-based communications platform which allows companies to operate services across mobile and connected devices. BAND is benefitting from better CPaaS sales, up 25%, and active customer count jumped 266% in 2018. Dollar-retention is also growing steadily at 117%.

DAILY OPTIONS REPORT

Unusual Call Activity

ResMed (RMD)
Manitowec (MTW)
Viavi (VIAV)
Edgewell (EPC)
Brunswick (BC)
Insmid (INSM)

Unusual Put Activity

Quanta (PWR)
NRG Energy (NRG)
ResMed (RMD)
NanoString (NSTG)
Vale SA (VALE)
USA Tech (USAT)

Implied Volatility Riser

Proteostasis (PTI)
Accelerate Diagnostics (AXDX)
Fox (FOXA)
Genworth (GNW)
Intercept (ICPT)
Weatherford (WFT)

Lowest Put/Call Ratio

Brunswick (BC)
BHP Group (BBL)
Edgewell (EPC)
Travelport (TVPT)
Lending Club (LC)
Antero (AR)

Highest Put/Call Ratio

Aspen Insurance (AHL)
Actuant (ATU)
Harsco (HSC)
Immersion (IMMR)
A10 Networks (ATEN)
Nanostring (NSTG)

Implied Volatility Decliner

Corcept (CORT)
PG&E (PCG)
Western Digital (WDC)
Ericson (ERIC)
Denbury (DNR)
Intel (INTC)

OTM Calls on Offer

Viavi (VIAV)
Manitowec (MTW)
AK Steel (AKS)
Dish Network (DISH)
Chesapeake (CHK)

OTM Puts on Offer

Vipshops (VIPS)
Goldcorp (GG)
Cheniere (LNG)
Novavax (NVAX)
Transocean (RIG)

Elevated IV30

PG&E (PCG)
Evolus (EOLS)
Macrogenics (MGNX)
Ascendis Pharma (ASND)
Intercept (ICPT)

Positive Net Delta

Facebook (FB)
Apple (AAPL)
American (AAL)
Colgate (CL)
General Electric (GE)

Negative Net Delta

Micron (MU)
PG&E (PCG)
Nokia (NOK)
Teva Pharma (TEVA)
JP Morgan (JPM)

Option Volume Gainers (%)

Quanta (PWR)
NRG Energy (NRG)
ResMed (RMD)
Manitowec (MTW)
Viavi (VIAV)

Bullish Call Flow

Repligen (RGEN)
Twitter (TWTR)
General Mills (GIS)
Colgate (CL)
Seagate (STX)

Bearish Put Flow

Home Depot (HD)
Foot Locker (FL)
Bristol Myers (BMY)
Dunkin (DNKN)
Quanta (PWR)

Large Spread Trades

ULTA, 425 March \$280/\$230 put spreads
BC, 5,000 March \$55/\$60 call spreads
TGT, 7,000 February / March \$72.50 call calendar spreads
SCHW, 1,600 September \$50/\$45 strangles
BMY, September \$50/\$40 put spread, 1000X2000

News / Stock Specific News

S&P Global (SPGI) Gets Regulator Nod for China Local Rating Business – Bloomberg

Takeda (TAK) to Plan Biggest Japan Company Bond Offering Ever – Bloomberg

Eni (E) to Buy Stake in **Adnoc** Refining for \$3.3 Billion – Bloomberg

Dropbox (DBX) buys electronic signature start-up **HelloSign** for \$230 million – CNBC

Alstom, Siemens confirm new merger concessions in rail antitrust tussle – Reuters

Aluminium falls as U.S. lifts sanctions on **Rusal** (AA, KALU, CENX) – Reuters

Coal production expected to fall during The Trump Administration – FT

Kuo sees weak **Apple (AAPL)** iPhone sales for 1H19, leveling off in 2H – Apple Insider

AbbVie (ABBV) announces FDA approval of IMBRUVICA plus obinutuzumab

Platform Specialty (PAH) says Rakeh Sachdev intends to retire as CEO; company sees Q4, FY below forecast; FY19 higher, “We expect the weakness in the Asian economy, especially in China, and the deceleration in the global electronics and automotive markets that impacted our 2018 fourth quarter results to persist in 2019. We therefore are guiding towards more modest top-line growth than we experienced in recent years. We are fortunate to have diversification and a margin structure that insulates us in these markets as well as a corporate cost opportunity to help us drive higher earnings growth despite the macro environment. We expect organic net sales growth between 1% and 3%, which we believe will outpace our end-markets, and constant currency adjusted EBITDA growth in the range of 5% and 8%.”

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
ARLP	Alliance Resource	\$0.38	\$0.76	\$531.80	\$538.50	10.10%	
BOH	Bank of Hawaii	\$1.30	\$1.35		\$165.75		
CAT	Caterpillar	\$2.55	\$2.99	\$14,300.00	\$14,364.78	11.2%	FY Below
CHFC	Chemical Financial	\$0.87	\$0.98		\$200.85		
TCF	TCF Financial	\$0.51	\$0.47		\$369.81		

Extras

Biogen (BIIB) with over \$850,000 in Jan. 2020 \$360 calls bought in the afternoon

Intuit (INTU) morning buyers on Friday of 339 July \$220 calls from \$14.10 to \$14.50

SBA Communications (SBAC) the March \$175/\$165 put spread bought 500X1000

Aerovironment (AVAV) with 665 February \$80 puts sold to open from \$3.91 down to 3.20; AVAV also with 200 June \$85 calls bought late for \$5.60

Saudi Arabia (KSA) unusual size trading with 20,000 June \$35 calls bought for \$0.75 to \$0.80 to open

Russell (IWM) the February \$148/\$154 call spread opening 20,000X for \$2.04; also seeing 3,000 April \$150 calls open for \$3.93

S&P (SPY) the May \$265/\$220 put spread being bought 3,000X for \$7.53

Yandex (YNDX) late day buyer of 2,500 August \$36 calls for \$3.00 in a stock replacement

NRG Energy (NRG) buyer of 20,000 OTM June \$34 puts today for \$0.90

HUYA strong mover today up over 11% and afternoon buyers of the March \$22.50 calls for \$1.95 to \$2.05, 1000X

Zscaler (ZS) IV lifting this afternoon with buyers of 2,245 March \$48 calls between \$3.60 and \$3.80

Encana (ECA) buyers earlier of 12,000 March \$7 calls for \$0.55 to \$0.60

US Steel (X) stock replacement opens 3,000 April \$23 calls this afternoon for \$1.20