

TOP STORIES

- US, China to Meet Next Week in Beijing as Trade Talks Resume
- Houses Passes Bill to End US Government Shutdown without Border Wall Money
- PBOC Cuts Banks' Reserve Ratio in Bid to Support Growth
- Euro Inflation Slows Sharply on Oil Just as ECB Caps Stimulus

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2483 (35.25)	34.71
Nasdaq	6275.5 (113.5)	114.37
Dow	22974 (315)	309.78

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6782.35	1.34%
DAX	10605.03	1.81%
Nikkei	19561.96	-2.26%
Hang Seng	25626.03	2.24%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Employment Situation	180K
9:45	PMI Services	53.4
10:15	Jerome Powell Speaks	
10:15	Raphael Bostic Speaks	
10:30	EIA Nat Gas	
11:00	EIA Petroleum	

FOREX

EUR/USD	1.1408 (0.14%)
USD/JPY	107.98 (0.31%)
USD/CAD	1.344 (-0.36%)
GBP/USD	1.2671 (0.32%)

COMMODITY

Oil	48.20 (2.36%)
Natural Gas	3.012 (2.28%)
Gold	1293 (-0.14%)
Copper	2.618 (1.95%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	25.45 (9.6%)
Nasdaq	VXN	32.18 (6.95%)
Oil	OVX	53.57 (-2.10%)
Gold	GVZ	13.77 (4.48%)

MARKET OUTLOOK

Futures are indicating a higher open this morning ahead of the final jobs report for 2018. Expectations are for a slight pickup in jobs growth in December. A strong report is seen as supporting further hikes in 2019. Jerome Powell will speak later this morning on a panel with both Ben Bernanke and Janet Yellen. Traders will be watching for comments on policy but unlikely to see anything significant in this forum.

Sentiment is improving overnight with reports that the US and China will hold vice-minister level trade talks next week on the 7th and 8th. These are the first talks since the G20. The US has yet to confirm the talks although China's ministry has said they will take place in Beijing.

Asian markets were strong overall last night, although the Nikkei down over 2% after re-opening for the first time in 2019. China's PBOC cut reserve ratios by 1% to help stem off worries about growth. This is the first cut of 2019 and fifth in the last twelve months. China's Caixin Services PMI rose to 53.9 in December, better than expected and up slightly from November. Japanese manufacturing PMI came in strong at 52.6, above forecasts.

European markets are closing the week strong with the DAX up over 1.8%. Autos and industrials led gains. Energy was higher with oil. **Bayer** was up 4% after a US judge restricted some evidence from plaintiffs in their weed-killer suit. Eurozone CPI cooled a bit to 1.6% in December, below forecasts of 1.8%, while PPI was down to 4.0% vs 4.1%. Services PMI came in light at 51.2 while composite PMI was also light at 51.1. German unemployment remained steady in December at 5%. Services PMI missed at 51.8 while composite was also light at 51.6. In the UK, mortgage approvals slowed in November in anticipation of Brexit while lending also slowed.

Netflix (NFLX) in focus today with Goldman upgrading to Conviction Buy as the firm reshuffles some of their internet ratings. They have a \$400 PT citing the company's investment in content, technology and distribution which will drive subscriber growth well above consensus expectations both in the U.S. and internationally.

S&P TECHNICALS

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



KEY EVENTS TO WATCH

Economic Data on Monday: Factory Orders, ISM Non-Manufacturing, Raphael Bostic Speaks;

Earnings BMO on Monday: CMC;

Earnings BMO on Tuesday: AZZ, HELE, LNN;

ANALYST ACTION/COMMENTS

Nokia (NOK) upgraded to Outperform at BMO Capital

Green Dot (GDOT) upgraded to Buy at BTIG, \$94 PT

Honeywell (HON) upgraded to Outperform at RBC

Ilex (IEX) upgraded to Outperform at RBC, \$146 PT

Coty (COTY) upgraded to Neutral at JP Morgan

Intel (INTC) upgraded to Buy at BAML

Regeneron (REGN) upgraded to Buy at Guggenheim

Varian (VAR) upgraded to Buy at Goldman Sachs

Shutterfly (SFLY) upgraded to Buy at KeyBanc

Celgene (CELG) upgraded to Outperform at Baird

Qualys (QLYS) upgraded to Outperform at JMP

Myriad Genetics (MYGN) upgraded to Buy at Cowen

Edison (EIX) upgraded to Buy at Goldman Sachs

Masco (MAS) upgraded to Buy at BAML

Armstrong (AWI) upgraded to Buy at BAML

Fortune Brands (FBHS) upgraded to Neutral at BAML

Netflix (NFLX) upgraded to Conviction Buy at Goldman; **Expedia (EXPE)**, **Etsy (ETSY)** upgraded to Buy

Carlyle (CG) upgraded to Buy at Goldman Sachs

Virtu Financial (VIRT) upgraded to Buy at Goldman

CBOE (CBOE) upgraded to Conviction Buy at Goldman

United Tech (UTX), **Emerson (EMR)**, **SPX Flow (FLOW)** downgraded to Neutral at RBC

Skyworks (SWKS) downgraded to Neutral at Nomura

Qurate (QRTEA) downgraded to Neutral at Keybanc

Cooper (COO) downgraded to Sell at Goldman

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MEDIA HIGHLIGHTS

Judge grants Vintage Cap restraining order in **Rent-A-Center (RCII)** bid - Bloomberg

Hudson's Bay, owner of Saks, is going private – NY Post

Petrobras (PBR) to focus on core business, spat with govt to be resolved soon – Reuters

Alphabet's (GOOG) life science tech unit Verily raises \$1B from investors – Reuters

Apple (AAPL), **Samsung** struggle to adapt to stalling sales in China - The Verge

Facebook (FB) looks to balance push for growth with security efforts – WSJ

Tesla (TSLA) will begin delivering Model 3 to China buyers in March – Reuters

Homebuilders See a Bright Spot in the Gloom—And It's Rentals – Bloomberg

Record LNG capacity to get green light in 2019 amid strong demand – Reuters

U.S. retail vacancies rise marginally in fourth quarter – Reis

Car Sales Keep Pace in 2018, Defying Predictions of a Downturn – WSJ

GameStop (GME) Struggles to Boost Sales – WSJ

Wells Fargo (WFC) bank employees say little changed since scandal – Guardian

Career Education (CECO) cancels \$494M in student debt to end probe - NYT

STOCK SPECIFIC NEWS OF NOTE

Square (SQ) names **Blizzard's (ATVI)** Amrita Ahuja CFO

Novavax (NVAX) announces positive results from Phase 2 NanoFlu trial

Del Frisco's (DFRG) preliminary Q4 view below Street

Aerie (AERI): 'Positive' results from Phase 2 study of netarsudil ophthalmic solution

BorgWarner (BWA) to sell thermostat business to Arlington Industries

Flex Pharma (FLKS), **Salarius** announce merger

Crispr Therapeutics (CRSP), **Vertex (VRTX)** announce fast track designation for CTX001

Marriott (MAR) says fewer accounts compromised by Starwood breach than previously expected

PRE-MARKET MOVERS

Moving Higher: MT 4%, VALE 3.2%, NFLX 3%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: IFF, DISH, PSEC

Selling: STMP, NUAN, GWRE, CME, SQ, XON, COST, TRUP, NEM, ADI, MB

INSTITUTIONAL MONEY FLOW

Buying: AAPL, MSFT, GOOG, AMZN, BMY, DIS, JPM, AABA, ADP, CCSCO, MS, NOC, MCK

Selling: GLD, NFLX, CELG, SLB, CTL, DG, WY, LB, HRL, K, GIS, INCY, BERY, HES, DISH

OPTION HIGHLIGHTS (Prior Day)

Restaurant Brands (QSR) with 2,000 February \$50 and \$55 calls bought to open this morning paying \$3.75 and \$1.60 respectively. QSR recently had 5,000 Jan. 2020 \$55 calls bought as well as the Jan. 2020 \$60/\$45 bull risk reversal 1,500X on 12/21. The April \$55 calls have accumulated over 25,000X. Shares have traded weak over the last quarter, down 12.5%, and testing new 1-year lows. A move above the 20-day MA at \$52.50/\$53 is key to a short-term move higher with \$56 and then \$58 volume targets above. Shares are holding the weekly 200-EMA around \$50 and longer-term channel targets \$62.50 after a strong move from the 2016 lows. The \$12.9B company trades 17.2X earnings and 2.5X sales with a 3.5% yield. The company expects 5.4% EPS growth in 2019 and 9.7% in 2020, up from 3% growth last year. QSR expects 4.5% to 5% growth in sales as they track towards \$6B annually and integrate their recent deal for Popeyes which gives them some big expansion opportunities. QSR has seen relative strength in traffic and comps across all of their brands (BK, TH, and Popeyes). Analysts have an average target for shares of \$69 with 11 buy ratings and 3 hold ratings. Cowen naming shares their Top Idea for 2019 behind a turnaround at Tim Hortons. UBS has a \$74 PT for shares citing FCF yield, unit expansion, and strategic optionality including potential M&A. Institutional ownership fell 7.5% last quarter. Melvin Capital, Eminence, and Mapelane all top buyers last quarter. Short interest is 4.3% and up from around 2.5% in March. In June, a Director bought \$340K in stock at \$60.

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)

POTENTIAL SYMPATHY TRADES

APD, AXTA, PPG, LIN – on RPM guidance

IPO /SECONDARY MONITOR

Nothing Scheduled

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Heron (HRTX)	Realogy (RLGY)	Barrick (GOLD)
Bristol Myers (BMY)	Avis Budget (CAR)	Fox (FOXA)
Jagged Peak (JAG)	Extreme Networks (EXTR)	Tilray (TLRY)
Enphase (ENPH)	Knowles (KN)	Western Digital (WDC)
Dunkin (DNKN)	Celgene (CELG)	Novavax (NVAX)
Stanley Works (SWK)	Trimble (TRMB)	Capri (CPRI)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Gentherm (THRM)	Realogy (RLGY)	Weatherford (WFT)
Santander (SAN)	NN (NNBR)	Overstock (OSTK)
Red Rock (RRR)	SemGroup (SEMG)	Genworth (GNW)
DSW (DSW)	Trimble (TRMB)	Hi Crush (HCLP)
Sunoco (SUN)	Tutor Perini (TPC)	Corbus (CRBP)
Voya (VOYA)	Chico's (CHS)	JC Penney (JCP)

OTM Calls on Offer

OTM Puts on Offer

Most Volatile Stocks

Canadian Solar (CSIQ)	Endo (ENDP)	Natural Health (NHTC)
Noble (NBL)	DocuSign (DOCU)	Aurinia (AUPH)
Abbott Labs (ABT)	United Rentals (URI)	CVR Refining (CVRR)
General Mills (GIS)	Applied Materials (AMAT)	Prospect Capital (PSEC)
Freeport (FCX)	Cirrus (CRUS)	Calix (CALX)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Metlife (MET)	General Electric (GE)	Realogy (RLGY)
AT&T (T)	Bank of America (BAC)	Avis Budget (CAR)
Aflac (AFL)	Facebook (FB)	Extreme Networks (EXTR)
Comcast (CMCSA)	Microsoft (MSFT)	Heron (HRTX)
Alibaba (BABA)	Micron (MU)	Bristol Myers (BMY)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Metlife (MET)	General Mills (GIS)	GLD, 5,000 March 29th (Q) \$125/\$130 call spreads
DSW (DSW)	Align (ALGN)	SGMS, July \$22/\$32 call spread, 800X
Immunomedics (IMMU)	Avis (CAR)	LNG, March \$55/\$50 put spread opening 6,500X5,000
General Motors (GM)	Knowles (KN)	HRTX, June \$30/\$40 call spread being bought 2,000X
Xerox (XRX)	Cirrus (CRUS)	GM, 1,000 March \$33/\$39 call spreads

Analyst Actions

Diageo (DEO) downgraded to Sell at Bernstein

Analog Devices (ADI) downgraded to Neutral at RBC

CyberArk (CYBR) downgraded to Neutral at Goldman

Visteon (VC) downgraded to Neutral at Baird

Fortinet (FTNT) downgraded to Sell at Goldman

Autoliv (ALV) downgraded to Sell at Baird

Adient (ADNT) downgraded to Sell at Baird

Texas Instruments (TXN), Analog Devices (ADI), Maxim (MXIM) downgraded to Neutral at BAML

Hologic (HOLX) downgraded to Neutral at Cowen

eBay (EBAY) downgraded to Neutral at Goldman

Snap (SNAP) downgraded to Neutral at Goldman

Criteo (CRTO) downgraded to Sell at Goldman

T Rowe Price (TROW) downgraded to Neutral at Goldman

Stephens starting **EIGHT, LOGM, SMAR, EVBG** at Buy and **TWLO, RNG, FIVN** at Neutral

Catalyst Bio (CBIO) initiated Outperform at Oppenheimer

OI Checks

TME – Feb. \$11 Calls from 1,100 to 2,203

KSS – April \$60 Puts from 1,524 to 2,865

CTRP – Jan. 2020 \$28 Short Puts from 1,035 to 2,035

FAST – Feb. \$52.50 Puts from 1,548 to 1,074

MU – Jan. 2020 \$35 Calls from 4,809 to 7,275

COTY – May \$5 Calls from 1,759 to 2,582

NCLH – Feb. \$42.50 Calls from 2,046 to 3,177

MAR – April \$95 Puts from 13,112 to 19,112

SLDB – April \$40 Calls from 2,168 to 2,919

XOM – Jan. 2020 \$70 Calls from 3,586 to 4,861

ARNC – April \$19 Calls from 5,917 to 8,535

DO – Jan. 2021 \$5 Puts from 8,000 to 12,000

QCOM – Jan. 2020 \$65 Calls from 10,013 to 13,902

ADNT – Jan. 2020 \$15 Puts from 11,740 to 14,200

WYNN – March \$120 Calls from 14,099 to 16,666

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
ANGO	AngioDynamics	\$0.22	\$0.21	\$91.50	\$89.24	5.50%	Affirms FY
CALM	Cal-Maine Foods	\$0.49	\$0.43	\$356.00	\$362.73	-1.40%	
LW	Lamb Weston		\$0.72		\$897.08		
RPM	RPM Inc	\$0.52	\$0.67	\$1,362.50	\$1,375.65	3.60%	Q3 Weak

RPM – Missed on EPS and Sales, Q3 Below - In the third quarter, from an operating perspective, revenue growth should remain in the low- to mid-single-digit range. While we are seeing the early benefits of our purchasing activities and softness in certain raw material categories, it is important to note that because RPM is on a FIFO basis for inventory, the benefits we are beginning to see on the raw material front will typically flow into our income statement 90 days later than if we were under the LIFO method of accounting, as is the case with our large industry competitors. Further, due to three non-operating items, we anticipate significantly lower reported earnings and earnings per share for the third quarter period ending February 28, 2019. Taken together, expectations of continuing raw material cost challenges and these non-operating items are likely to result in third-quarter EPS in the range of \$0.10 to \$0.12. “Solid performance in our businesses providing corrosion control coatings and concrete admixture and repair products drove top-line growth in the industrial segment, despite the impact of the second wettest autumn on record in the U.S., which affected sales somewhat, particularly in our commercial roofing business,” stated Sullivan. “International sales, which account for approximately half of our industrial segment business, were soft this quarter. Higher raw material costs, unfavorable foreign exchange, restructuring and other related charges impacted results. We made good progress on our operating improvement initiatives in the segment, which included consolidating production after announcing the closure of three plants and shifting that manufacturing to other facilities.”

Extras

Docusign (DOCU) late buyers of 3,000 March \$30 puts for \$0.90 to \$1

Realogy (RLGY) seeing some sizable June puts adjust today as the Jan. 2020 \$10 puts are bought 22,500X for \$1.40

PBF Energy (PBF) the June \$30 puts being bought 550X today to open for \$2.65 to \$2.75

Marriott (MAR) afternoon buyers of 580 Jan. \$103 puts for \$3.50 to \$3.60 today

Aptiv (APTV) afternoon buyers of 4,000 Jan. \$62.50 puts for \$3.60 to \$3.70, some adjusting down

Stanley Works (SWK) the February \$125/\$140 call spread bought 1,500X for \$2.77, rolling out of the Jan. \$130/\$145 call spread which closes 2,500X

Applied Materials (AMAT) with 5,000 February \$30 puts this afternoon for \$1.29 to \$1.45

IPG Photonics (IPGP) with 700 January \$105/\$90 put spreads bought for \$2.80

Lam Research (LRCX) with 545 April \$130 puts sold to open mid-day from \$10.85 to \$10.60

Mercado Libre (MELI) with more than \$1.4M in Jan. 2021 \$310 calls bought in stock replacements

3M Co (MMM) with over 685 April \$180 puts bought on the day, many spread vs the Jan. \$180 puts

Marathon (MPC) bullish spreads buying the February \$62.50/\$70 call spread and selling the \$47.50 puts, 2,000X for an \$0.85 net debit

Xilinx (XLNX) with 2,000 January \$82.50 puts bought in the afternoon from \$2.22 to \$2.44

Exxon Mobil (XOM) with 2,575 March \$65 puts sold to open for \$1.95 in a stock replacement

Oil Services (OIH) the January 2020 \$14/\$23 call spread bought 4,000X8,000