

TOP STORIES

- US, China Officials Resume Trade Negotiations in China
- German Factory Orders Slip in Sign of Weakening Growth Momentum
- UK PM May Steps Up Her Battle with Opposition to Brexit Plan
- Eli Lilly to Acquire Loxo for \$8B
- JP Morgan Healthcare Conference Kicks Off with Key Updates from AXSM, AMRN, SAGE, NBIX, EXAS, and Others

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2529.5 (-1.75)	-2.24
Nasdaq	6418.25 (-15.75)	-16.42
Dow	23407 (12)	0.84

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6802.59	-0.51%
DAX	10716.08	-0.48%
Nikkei	20038.97	2.44%
Hang Seng	25835.7	0.82%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:00	Factory Orders	0.4%
10:00	ISM Non-Manufacturing	58.4
12:40	Raphael Bostic Speaks	

FOREX

EUR/USD	1.1445 (0.46%)
USD/JPY	108.29 (-0.21%)
USD/CAD	1.3356 (-0.12%)
GBP/USD	1.2755 (0.23%)

COMMODITY

Oil	49.18 (2.54%)
Natural Gas	2.973 (-2.33%)
Gold	1292.9 (0.55%)
Copper	2.6375 (-0.38%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	21.38 (-16%)
Nasdaq	VXN	28.57 (-11.22%)
Oil	OVX	51.52 (-3.8%)
Gold	GVZ	12.04 (-12.5%)

MARKET OUTLOOK

Futures are indicating a flat open for the morning although giving up some overnight gains into the open. The US and China kicked off trade talks in Beijing with China's lead negotiator unexpectedly joining the talks. Topics discussed include tech IP, agriculture, and industrial purchases. Further, POTUS told reporters this weekend that recent weakness in China's economy gives the US a leg up in talks. Trump will meet with China VP Wang Qishan at Davos on 1-22. The dollar is lower this morning and nearing a bear flag breakdown under 95.40. Yields on the 10-year eased a bit to 2.649%. Oil is jumping this morning with the trade talks.

The shutdown continues with day 17 in Washington with the President refusing to give any room in the debate with House democrats. The Washington Post reported that food stamps and tax refunds are two wide-spread areas which could be hurt by the long layoff.

Defense names in focus today after John Bolton spoke on Sunday and walked back some of the President's tougher rhetoric on Syria. Bolton said that the US's withdrawal from the region will be gradual and only with conditions.

Asian markets with a sharp move higher this morning with the Nikkei closing up more than 2.4%. Komatsu was higher by 7% while Kubota was up almost 5%. **Sony** and **Nintendo** led the blue-chips. Dovish comments from the Fed and potential for a breakthrough on trade are helping sentiment. The business outlook for the region will be in focus this week with earnings in AsiaPac from **Fast Retailing** and factory automation leader **Yaskawa**.

European markets are lower this morning, giving up early gains, with lingering worries about growth in the region. Eurozone retail sales came in slightly better than expected for the month while Sentix investor confidence rose to -1.5 vs -2 forecast. German retail sales led the rebound. Factory orders in Germany fell 1% in November, worse than expected. In the UK, PM May continues to work towards a Brexit vote despite some claims that she is facing a losing battle.

S&P TECHNICALS

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



6345 Advancing	Declining 949
84.3%	12.6%
19 New High	New Low 44
30.2%	69.8%
1872 Above SMA50	Below 5646
24.9%	75.1%
1249 Above SMA200	Below 6269
16.6%	83.4%

KEY EVENTS TO WATCH**Conferences today:** JPM Healthcare, CES 2019**Economic Data tomorrow:** NFIB Small Business Optimism, International Trade at 8:30 AM, Redbook at 8:55, JOLTS at 10, Consumer Credit at 3, API Inventories at 4:30;**Earnings Before the Open:** AZZ, HELE, LNN;**Earnings After the Close:** KSHB, SGH;**ANALYST ACTION/COMMENTS****NetEase (NTES)** upgraded to Buy at Macquarie**Atento (ATTO)** upgraded to Buy at Credit Suisse**Alphabet (GOOG)** upgraded to Buy at Pivotal**Adobe Systems (ADBE)** upgraded to Buy at Pivotal**Salesforce (CRM)** upgraded to Buy at Pivotal**Interpublic (IPG)** upgraded to Buy at Pivotal**Boot Barn (BOOT)** upgraded to Buy at Pivotal**Dollar General (DG)** upgraded to Overweight at Keybank**Encana (ECA)** upgraded to Outperform at BMO**PDC Energy (PDC)** upgraded to Outperform at BMO**Micron (MU)** upgraded to Outperform at BMO**Centerpoint (CNP)** upgraded to Buy at Guggenheim**Tempur Sealy (TPX)** upgraded to Buy at Guggenheim**Badger Meter (BMI)** upgraded to Hold at Bergenberg**LGI Homes (LGIH)** upgraded to Outperform at Wells Fargo**Citi (C)** upgraded to Outperform at Macquarie**Continental (CLR)** upgraded to Outperform at BMO**Diamondback (FANG)** upgraded to Outperform at BMO**General Motors (GM)** upgraded to Outperform at BMO**Five-9 (FIVN)** upgraded to Overweight at MSCO**Arista (ANET)** upgraded to Overweight at MSCO**Pulte (PHM), Lennar (LEN)** upgraded to Overweight at Keybank**AGCO** upgraded to Outperform at RBC**Continued on Page 6****MEDIA HIGHLIGHTS****Apollo (APO)** weighing a bid for GE's jet-leasing business, could feed \$40B – Bloomberg**PG&E (PCG)** considers filing for bankruptcy protection for one or more businesses, faces billions in liabilities – ReutersBarron's positive on **KMI, PAA, BP, HSBC, GSK, T, VZ, EPD,** and **VOD****Navistar (NAV)** shares offer deep value, could attract a suitor – Barron'sDecember Class 8 truck orders were 21,000, worst since August 2017 (NAV, PCAR, JBHT, CMI) – **ACT****Dominos (DPZ)** shareholders want new independent director – Sunday Times UK**Huawei** Unveils New Chipset Using ARM Design for Server Push – Bloomberg**UBS** Is at Early Stage of CEO Succession Planning, says Chairman – Bloomberg**Apple (AAPL)** to sell TV service on **Samsung** TVs – ReCode**Amazon (AMZN)** reveals 100M Alexa devices have been sold - The Verge**Continued on Page 6****STOCK SPECIFIC NEWS OF NOTE****Axsome Therapeutics (AXSM)** AXS-05 achieves primary endpoint in Phase 2 trial**AbbVie (ABBV)** expects to record Stemcentrx related impairment of \$4B**Amarin (AMRN)** Initial FY19 Revenue Below Street**Exact Sciences (EXAS)** Sees Q4, FY18 Revenue Above Street; Cologuard Tests +66% Y/Y**Biohaven (BHVN)** announces acceptance of rimegepant IND filing in China**Sanofi (SNY), Regeneron (REGN)** restructure Immunology Discovery, Development Agreement**Sage Therapeutics (SAGE):** SAGE-217 meets primary, secondary endpoints in Phase 3 trialStarboard calls for exploration of all strategic alternatives for **Family Dollar (DLTR)****Eli Lilly (LLY)** to acquire **Loxo (LOXO)** for \$235 per share in cash, or about \$8B**More on Page 6**

PRE-MARKET MOVERS

Moving Higher: AXSM 107.2%, LOXO 64.5%, GE 5%, TSLA 1.7%

Moving Lower: PCG -18.5%, BTI -3.5%

INSIDER TRADING (Form 4 Filings)

Buying: EBAY, IFF, FDX, OAK

Selling: FDS, RSG, XLRN, FDS, TWLO, LYV, GNRC, IRBT, QUAD, SQ, LPSN

INSTITUTIONAL MONEY FLOW

Buying: PSA, O, COG, EXR, ALLE, RGLD, GG, BGNE, HRTX, GDV

Selling: AMZN, GOOGL, CELG, ADBE, MS, HUM, ORCL, DELL, AABA, C, NFLX, BDX, BABA, BMY, ICE

OPTION HIGHLIGHTS (Prior Day)

Texas Instruments (TXN) with 4,250 June \$110 calls opening \$1.48 mid-market, and has seen accumulation in June \$100 calls with over 9,000 in OI. TXN shares are basing above the \$88 level since late October and holding the 38.2% Fibonacci of the run from the early 2016 lows. TXN is forming a big weekly channel in 2018 and has room back to \$110 with a breakout measuring up to \$130. The \$87.9B semiconductor trades 16X earnings, 5.5X sales, and 25X FCF with a 3.5% yield. The company cut their outlook last quarter and expects 2019 to be a transition year before returning to growth in 2020 with 11% EPS growth and revenue growth of 6%. TXN has seen strong demand in Analog and end-market exposure to outperforming markets like industrial and automotive where they've allocated more R&D spending in recent years. TXN expects to ramp production of 300mm chips which is more cost effective than 200mm and remains underpenetrated becoming a much larger part of the overall market mix. TXN expects to continue double-digit FCF growth as well in 2019/2020. Analysts have an average target for shares of \$115 with 15 buy ratings, 13 hold ratings, and 1 sell rating. Short interest is 1.7%. BAML downgraded shares to Neutral today expecting overall semiconductor sales to slow in 2019. Citi noted in November that the company's long-term outlook remains strong and the guidance cut is the start of a bottoming process for estimates. Institutional ownership rose 18.5% last quarter. AQR adding more than 1.4M shares to their position. On 10/29, a Director bought \$1M in stock at \$91.70, the only open market buy in the name in four years.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.71	Elevated
CBOE Index Put/Call Ratio	1.21	Neutral
CBOE Skew Index	111.44	Significant Low
VIX Curve	Backwardation	Fear
CNN Fear & Greed Index	18	Extreme Fear
NYMO	72.82	Extreme High
NYSE Highs/Lows	21	Neutral
McClellan Summation	-919.55	Bullish 8-EMA Crossover
Univ. of Michigan Consumer Sentiment	97.5 (December)	1.7%+

SMART MONEY (13g/13d Filings)

POTENTIAL SYMPATHY TRADES

EIX – lower on PCG potential filing

BPMC, MRTX – on LOXO buyout

PCAR, JBHT, CMI, NAV – on Class 8 data

IPO /SECONDARY MONITOR

Nothing Scheduled

TRADE

WEEKLY TECHNICAL BREAKOUT

AYX:



Alteryx (AYX) shares holding up well over the last two months and nearing a breakout over \$65 which has a measured move to \$85. MACD is back at zero and moving higher while RSI is moving back above 50. On Friday, AYX had a bullish 8/20 EMA crossover.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Green Dot

Price: \$79.5

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	37.3X	4.3X	4.7X	16.2X	20.2X
Industry Avg.	24.4X	4.5X	4.1X	8X	12.8X

Analysis: GDOT is a \$4.13B payments company which trades 21.9X earnings, 4X sales, and 19.2X FCF with 13% and 16% EPS growth expected the next two years. GDOT expects 10% revenue growth the next two years behind strength in their prepaid debit card business. The company is also expanding their partnerships with AAPL, INTU, Uber, and others.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

PSA:



Public Storage (PSA) shares are consolidating above recent support at \$195 with a big head and shoulders breakdown targeting \$175. MACD is weak and RSI is not yet oversold with room to move lower. Shares are firmly below their 8-, 13-, and 20-EMA.

PAIR TRADE OF THE WEEK

Industry: Apparel

Long/Short: Long Lululemon (LULU), Short L Brands (LB)

Analysis: LULU is one of the brightest spots in retail apparel with near 20% EPS growth and 13% revenue growth. The company should benefit in 2019 from new product launches and less promotional activity than peers. LB remains challenged with their PINK and core VS brands losing share while Bath and Body Works faces tough comps in 2019.

SMALL CAP TRADE OF THE WEEK

BioSpecifics Tech (BSTC) is a \$436M maker of collagen injections for a number of treatments and clinical indications. Shares trade cheap with 14% growth and potential for significant upside given there are no approved injectable treatments for cellulite from the FDA.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Nexstar (NXST)	BRF SA (BRFS)	Weatherford (WFT)
Ryder (R)	Nu Skin (NUS)	Overstock (OSTK)
Charter (CHTR)	Charter (CHTR)	Gamestop (GME)
Bristol Myers (BMY)	Immersion (IMMR)	GoPro (GPRO)
Scientific Games (SGMS)	Fiat Chrysler (FCAU)	News Corp (NWSA)
CDW	Sage Therapeutics (SAGE)	Ambac (AMBC)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Nexstar (NXST)	BRF SA (BRFS)	AtriCure (ATRC)
Lee Enterprises (LEE)	SLM Corp (SLM)	Novavax (NVAX)
News Corp (NWSA)	Immersion (IMMR)	Nabors (NBR)
Natus (BABY)	Nu Skin (NUS)	Western Digital (WDC)
Ambac (AMBC)	Moody's (MCO)	Tilray (TLRY)
C&J Energy (CJ)	March McClellan (MMC)	Capri (CPRI)

OTM Calls on Offer

OTM Puts on Offer

Most Volatile Stocks

Exelixis (EXEL)	Embraer (ERJ)	
Momo (MOMO)	Under Armour (UAA)	
HP (HPQ)	Tyson (TSN)	
Alcoa (AA)	Snap (SNAP)	
Sirius (SIRI)	Gap (GPS)	

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Fiat Chrysler (FCAU)	Nexstar (NXST)	BRF SA (BRFS)
Bristol Myers (BMY)	Petrobras (PBR)	Nu Skin (NUS)
AFLAC (AFL)	Cabot (COG)	Charter (CHTR)
Bank of America (BAC)	Scientific Games (SGMS)	Nexstar (NXST)
Apple (AAPL)	Macy's (M)	Ryder (R)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Cabot Oil (COG)	Mattel (MAT)	TPX, March \$45/\$55 call spread bought 2,000X
Zayo (ZAYO)	American (AAL)	GME, 2,300 April \$16/\$19 call spreads
Gilead (GILD)	Newmont (NEM)	NUS, February \$55/\$50 put spread opening 1,500X
Bristol Myers (BMY)	Sherwin Williams (SHW)	MS, March \$43/\$47 call spread bought 2,450X
United Rentals (URI)	Blackrock (BLK)	SAGE, January \$95/\$120 call spread bought 500X1,000

Stock Specific News

Trump says drug makers 'not living up' to commitments on pricing (**PFE, AZN, MRK**)

Kroger (KR), Microsoft (MSFT) collaborate to market a commercial RaaS product

Pentair (PNR) to acquire Aquion for \$160M in cash; Pentair to acquire Pelican Water Systems for \$120M in cash

Accelerate Diagnostics (AXDX) sees FY18 Below Street

Wright Medical (WMGI) Q4 Above Forecasts

Neurocrine (NBIX) sees Q4 Sales \$130M, Above Forecasts

Emergent Bio (EBS) sees FY18 above forecasts

Amicus (FOLD) sees FY19 Galafold revenue \$160M-\$180M

DXC Technology (DXC) to acquire **Luxoft (LXFT)** for \$59 per share in cash or \$2B

Media Notes

DRAM chipmakers to trim 2019 capex due to weak demand – Digitimes

Global chip sales slip in November, says SIA – Digitimes

Nucor (NUE) to spend \$1.35B to build plate mill in the U.S. Midwest – Reuters

UK competition watchdog to take a deeper look at **Thermo Fisher (TMO), Roper (ROP)** deal – Reuters

UK new car sales record biggest fall since financial crisis – Reuters

CBS Corp (CBS) News President Leaving Amid Woes – WSJ

Tesla (TSLA) to break ground on Shanghai Gigafactory today, CEO Musk says – Reuters

Myriad Genetics (MYGN) Has Great Difficulties Telling the Truth – SIRF

Analyst Notes

EOG Resources (EOG) upgraded to Outperform at RBC

Masco (MAS) upgraded to Overweight at Keybank

BJ's Restaurants (BJRI) upgraded to Buy at Stifel

Brinker (EAT) upgraded to Buy at Stifel

Constellation (STZ) upgraded to Buy at HSBC

Fortune Brands (FBHS) upgraded to Outperform at Evercore

Worldpay (WP) upgraded to Buy at MoffettNathanson

AB InBev (BUD) downgraded to Neutral at Goldman

Heineken downgraded to Sell at Goldman

Skyworks (SWKS) downgraded to Neutral at Oppenheimer

RH downgraded to Neutral at Keybank

Carrizo (CRZO), Range Resources (RRC), Oasis Petrol (OAS) downgraded to Neutral at BMO

Spotify (SPOT) downgraded to Neutral at Guggenheim

MSG Networks (MSGN) downgraded to Neutral at Guggenheim

Hyatt (H) downgraded to Neutral at BAML

Bank of America (BAC) downgraded to Neutral at Macquarie

Gentherm (THRM) downgraded to Neutral at BMO

Big Lots (BIG) downgraded to Neutral at MSCO

Wendy's (WEN) downgraded to Hold at Stifel

Greif (GEF) downgraded to Neutral at Baird

Altria (MO) downgraded to Neutral at Cowen

Urban Outfitters (URBN) downgraded to Neutral at JP Morgan

Westrock (WRK) downgraded to Neutral at Citi

Owens Illinois (OI) downgraded to Neutral at Cit

Tencent Music (TME) started at Buy at Goldman

Extras

Royal Caribbean (RCL) buyers in the February \$110 calls 2,000X into the close, paying \$1.38 to \$1.47

Aptiv (APTV) the January \$65 calls bought 2,000X to open for \$1.35 to \$1.40 late

Crown Castle (CCI) the July \$115 calls opening 2,500X this afternoon for \$3.60

Abiomed (ABMD) afternoon buyers of 850 January \$310 puts for \$10.50 to \$10.70

Coupa Software (COUP) afternoon buyers of 1,000 January \$60 puts for \$1.80 to \$1.90

Deere (DE) buyers of 3,200 January \$152.50 calls up to \$3.68 today as the \$145 calls roll up 1500X

DISH Network (DISH) the March \$27.50 puts bought 3,000X for \$2.50

Aratana Therapeutics (PETX) unusual buyers of 900 May \$5 calls for \$1.90 to \$1.95

Varian Medical (VAR) buyers of the January \$120 and February \$120 calls into the final hour, Goldman upgrading shares on Friday to Buy

Wells Fargo (WFC) buyers of the March \$47.50/\$52.50 and \$50/\$55 call spread over 7,000X, similar with JPM, C, MS, and GS

China A-Shares (ASHR) buyers of 10,000 July \$22.71 Calls for \$1.60

Industrials (XLI) with 7,000 March \$66/\$69 call spreads bought vs a sale of the \$60 puts, paying a \$0.22 debit