

TOP STORIES

- Global Markets Rise as Trade Talks Between US, China Enter Second Day
- Euro-Area Economic Sentiment Sees Worst Losing Streak in Decade
- Germany's Industrial Production Miss Raises Specter of Economic Recession
- Japan Manufacturing PMI Shows High Output Growth in December
- Samsung Q4 Outlook Below Street, Cites Slowdown in Memory, Smartphones
- NFIB Small Business Optimism Falls as Confidence in US Economy Weakens

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2570.5 (20)	20.41
Nasdaq	6551.25 (54.75)	50
Dow	23705 (193)	195.65

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6885.7	1.1%
DAX	10841.21	0.87%
Nikkei	20204.04	0.82%
Hang Seng	25875.45	0.15%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Int'l Trade	-\$53.9B
8:55	Redbook	
10:00	JOLTs	
3:00	Consumer Credit	

FOREX

EUR/USD	1.1463 (-0.10%)
USD/JPY	108.65 (-0.05%)
USD/CAD	1.3275 (-0.16%)
GBP/USD	1.2774 (-0.03%)

COMMODITY

Oil	49.25 (1.5%)
Natural Gas	3.00 (1.90%)
Gold	1284.4 (-0.43%)
Copper	2.646 (0.34%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	21 (-1.78%)
Nasdaq	VXN	28.42 (-0.42%)
Oil	OVX	50.44 (-2.1%)
Gold	GVZ	11.64 (-3.3%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning as optimism around US/China talks is helping shrug off a warning from Samsung and weak data out of Germany. Commerce Secretary Ross said that he was confident the two sides could reach a deal 'they could live with' as talks continued. China's Foreign ministry was also positive the US had 'good faith' to resolve the issues. China will give a statement at the end of today's talks. The dollar is modestly higher although well off the overnight highs. Crude is rallying again today with WTI up over \$49. This is being supported by hopes that Saudi Arabia is planning cuts.

In Washington, the shutdown enters its 18th day and now the second longest in US history. POTUS will give a primetime address tonight to the nation. Trump is considering declaring a state of emergency and diverting \$10B in funds from military construction to build a border wall. The legality of such a move is still under question.

Asian markets closed mixed overnight with the Nikkei a standout. Sentiment continues to improve on hopes of progress in US/China trade talks this week. Shippers, autos, and machinery names led higher. **Olympus** was higher by 8% after MSCO upgraded shares. **Samsung** fell in South Korea after a rare commentary on earnings. The company expects a nearly 30% drop in profit due to weak chip demand and competition in smartphones. Japanese household confidence fell to 42.7, slightly lower than forecasts, and down for the fourth straight month.

European markets are climbing this morning with the STOXX 600 hitting a 3-week high. The DAX is higher by nearly 90 bps despite weak industrials data. **Morrison** fell 3.5% after Christmas sales fell more than expected. Eurozone industrial sentiment fell more than expected in December while services sentiment hit its lowest level in more than two years. Business sentiment continued to fall in December as well. German industrial production came in at -1.9% vs expectations for 0.3%. UK housing process rose in December by 1.3%.

S&P TECHNICALS

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



KEY EVENTS TO WATCH**Analyst Days:** PTLA;**Conferences:** JP Morgan Healthcare, CES 2019; CS Aircraft Leasing Conference (AER, AL, AYR, SPGI), Citi TMT West Conference (DISCA, WIN, WWE, JBL, SWCH, CCI, Z, VG, EROS, EQIX, SIRI, T, UNIT, CCOI, SBAC), Goldman Energy Conference (PXD, CRC, CRZO, DK, FTI, OAS, OII, PBF, PDCE, PE, RRC), Morgan Stanley Auto 2.0 Conference (MS, NVDA, XPO, DLPH, NIO, LEA, STX);**Earnings tonight:** KSHB, SGH;**Earnings Weds BMO:** AYI, STZ, GBX, LEN, MSM, SCHN;**ANALYST ACTION/COMMENTS****Molina Health (MOH)** upgraded to Overweight at MUFU**Union Pacific (UNP)** upgraded to Outperform at ScotiaBank, \$165 PT; upgraded to Outperform at RBC**Hexcel (HXL)** upgraded to Outperform at BMO**Nutrien (NTR)** upgraded to Outperform at BMO**Bilibili (BILI)** upgraded to Overweight at MSCO**Nokia (NOK)** upgraded to Outperform at Raymond James**Norwegian Cruise (NCLH)** upgraded to Outperform at Bernstein**DaVita (DVA)** upgraded to Neutral at UBS**Littlefuse (LFUS)** upgraded to Outperform at Oppenheimer**Nordson (NDSN)** upgraded to Outperform at Oppenheimer**Brinker (EAT)** upgraded to Outperform at Raymond James**Cheesecake Factory (CAKE)** upgraded to Outperform at Raymond James**Voya (VOYA)** upgraded to Buy at Goldman Sachs**Global Payments (GPN)** upgraded to Buy at Goldman**Oasis Petroleum (OAS)** upgraded to Buy at Stifel**State Street (STT)** upgraded to Outperform at Evercore**Axalta (AXTA)** upgraded to Buy at BAML**Accenture (ACN)** upgraded to Buy at BAML**Paychex (PAYX)** upgraded to Neutral at BAML**Bloomin' Brands (BLMN)** upgraded to Overweight at JPM**Continued on Page 6****MEDIA HIGHLIGHTS**More U.S. drug makers eye M&A following cancer-drug deals (**GILD**, **PFE**, **MRK**) - Bloomberg

China Offered to Bail Out Malaysia's 1MDB Fund - WSJ

Sears (SHLD) could announce plan to liquidate as soon as Tuesday – NY PostActivist Icahn backs out of **Dollar Tree (DLTR)** after accumulating 2% stake last Fall – NY Post**AutoNation's (AN)** four top execs leave amid restructuring, bleak outlook – Reuters**SoftBank** to invest additional \$2B in **WeWork** – Reuters**Intel (INTC)** working with **Facebook (FB)** on AI chip coming later this year – Reuters**Nanya** December revenues decreased – DigitimesWireless Companies Put Their Big 5G Gambles on Display at CES (**VZ**, **T**, **TMUS**) – Bloomberg**Barclays (BCS)** Activist Turns Up the Heat – Bloomberg**Citigroup (C)** to end Chinese securities JV to set up majority-owned venture – ReutersBrazil's **Petrobras (PBR)** may settle transfer-of-rights dispute for about \$14B – Reuters**Sika** to buy French firm **Parex** in \$2.5B deal – ReutersS&P cuts **PG&E (PCG)** ratings to junk, warns of further downgrade – Reuters**Canaan** is considering an IPO – Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Union Pacific (UNP)** names Jim Vena, former protégé of Hunter Harrison, as COO**United Airlines (UAL)** sees recording non-cash impairment charge of \$206M in Q4**TechnipFMC (FTI)**, MMHE sign long-term offshore agreement with Saudi Aramco**Samsung** Q4 Earnings Below Street; Cites Lackluster Demand in Memory Chips, Competition in Smartphones**Danaher (DHR)** Q4 EPS seen at or near high end, revenue growth above prior guidance**Asure Software (ASUR)** FY19 Above Street**Gilead (GILD)** HCV treatment approved by Japan MHLW**Southwest (LUV)** December RPM +3.3%, ASM +5.4%

PRE-MARKET MOVERS

Moving Higher: UNP 8%, CCL 3%, ROKU 3%, SQ 2%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: UBS, THR

Selling: SCS, ADP, QURE, EGRX, EW, TSLA, EXEL, ANET, PLAB, USNA, COST, FDS, RSG

INSTITUTIONAL MONEY FLOW

Buying: GOOGL, AAPL, SRPT, CMCSA, ABMD, ADS, CBOE, AZN, MYGN, MMM, GOLD

Selling: FB, NFLX, CELG, LXFT, SQ, MSFT, ADBE, AABA, V, REGN, CVX

OPTION HIGHLIGHTS (Prior Day)

Mellanox (MLNX) with nearly 600 January \$85 calls opening today from \$2.45 up to \$2.85 and follows 1,000 February \$95/\$105 call spreads bought on Friday and the March \$95/\$105 call spread bought 3,500X. MLNX still has 1,225 March \$90 calls in OI as well from buyers. Shares dipped back to the 200-EMA last week and gap above \$85 measures back to \$90 in the short-term. MLNX is in a strong long-term trend with channel upside to \$100+ from the late 2017 lows. The \$4.92B semiconductor trades 14.12X earnings, 4.75X sales, and 14X cash with 22% EPS growth expected in FY19. MLNX expects 12.7% revenue growth and 11.3% growth over the next two years driven by higher adoption of their ethernet and infiniband products. The company is seeing a higher mix of ethernet sales with the adapter market growing 20%+ CAGR and expected to be a \$7B+ opportunity by 2021. MLNX is benefitting from a number of longer-term secular themes in AI, machine learning, and big data. Analysts have an average target for shares of \$104 with 11 buy ratings and 2 hold ratings. Susquehanna positive on 12/19 expecting AI to be a dominant theme in 2019 as automotive headwinds and risks to PC shipments cause interest in the sector to shift. Jefferies with a \$103 PT calling the company the “arms merchant” to the public cloud providers as they build out their IaaS business. MLNX shares dipped last week after hiring a CFO which many saw as delaying a potential M&A deal after rumors of Microsoft interest in December. However, Piper says that given certain clauses in the hiring, the move seems independent of any transaction. Short interest is 1.5% and down from over 9.5% in early 2017. Institutional ownership fell 11.2% last quarter.

AFTER HOURS MOVERS

Gainers: UNP 6%

Losers: ILMN -5.8%

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

MU, ASML, SNE, OLED, INTC, STX, WDC – on Samsung guidance

IPO /SECONDARY MONITOR

Nothing Scheduled

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Callon Petrol (CPE)	Patterson (PTEN)	PG&E (PCG)
WisdomTree (WETF)	DXC Tech (DXC)	Immunomedics (IMMU)
QEP (QEP)	Lamb Weston (LW)	BHP Billiton (BHP)
TransUnion (TRU)	BioMarin (BMRN)	Mattel (MAT)
Loxo Oncology (LOXO)	Crocs (CROX)	AVEO Pharma (AVEO)
Parsley (PE)	American Wood (AMWD)	Zynga (ZNGA)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
First Data (FDC)	Patterson (PTEN)	SAGE Therapeutics (SAGE)
Callon Petroleum (CPE)	Ameritrade (AMTD)	Weatherford (WFT)
Genesco (GCO)	Westinghouse (WAB)	Loxo (LOXO)
Eagle Materials (EXP)	Interactive Brokers (IBKR)	Amarin (AMRN)
Tribune (TRCO)	Lab Corp (LH)	Stitch Fix (SFIX)
TransUnion (TRU)	Tiffany (TIF)	Zynga (ZNGA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Biggest IV30 Moves in Past Week</u>
WisdomTree (WETF)	Crocs (CROX)	Maxar (MAXR)
Parsley (PE)	Novavax (NVAX)	PG&E (PCG)
Archer Daniels (ADM)	Momo (MOMO)	Mattel (MAT)
Freeport (FCX)	Las Vegas Sands (LVS)	BHP Billiton (BHP)
J&J (JNJ)	PG&E (PCG)	ACI Worldwide (ACIW)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
GE	DXC Tech (DXC)	Patterson (PTEN)
Advanced Micro (AMD)	Snap (SNAP)	DXC Tech (DXC)
AT&T (T)	Apple (AAPL)	Lamb Weston (LW)
Roku (ROKU)	Qualcomm (QCOM)	Callon Petrol (CPE)
Schlumberger (SLB)	Morgan Stanley (MS)	WisdomTree (WETF)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Salesforce (CRM)	PG&E (PCG)	GLD, 17,100 April \$124/\$130 call spreads
Adobe (ADBE)	Nordstrom (JWN)	RCL, 4,000 March \$110/\$125 call spreads
Eaton (ETN)	Arista Networks (ANET)	DG, February \$110/\$100 put spread bought 1,000X
Carvana (CVNA)	Dollar General (DG)	TLRY, 1,000 June \$40/\$30 far OTM put spreads
Royal Caribbean (RCL)	KKR	MS, March \$44/\$48 call spread opening 6,000X9,000

Analyst Notes Continued

Celanese (CE) downgraded to Neutral at BMO

Weibo (WB), Baidu (BIDU) downgraded to Neutral at MSCO

Westrock (WRK) downgraded to Neutral at RBC

Williams (WMB) downgraded to Neutral at Bernstein

Everbridge (EVBG) downgraded to Neutral at KeyBanc

Honeywell (HON) downgraded to Neutral at Oppenheimer

Hubbell (HUBB) downgraded to Neutral at Oppenheimer

Unilever (UN) downgraded to Neutral at UBS

AON downgraded to Neutral at Goldman

Entegris (ENTG) downgraded to Neutral at Goldman

Frontier (FTR) downgraded to Sell at Wells Fargo

Uniti (UNIT) downgraded to Neutral at Wells Fargo

Hyatt (H) downgraded to Neutral at Raymond James

Franklin (BEN) downgraded to Sell at Evercore

General Dynamics (GD) downgraded to Hold at Jefferies

Air Products (APD) downgraded to Sell at BAML

MasterCard (MA) downgraded to Neutral at BAML

First Solar (FSLR) initiated Overweight at Barclays

Prudential (PRU) initiated Outperform at Wells Fargo

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
AZZ	AZZ	\$0.59	\$0.62	\$239.50	\$238.96	15.00%	
HELE	Helen of Troy	\$2.40	\$2.36	\$431.10	\$425.76	2.40%	Raises FY
LNN	Lindsay Corp	\$0.38	\$0.42	\$111.95	\$113.57	-10.10%	

Extras

Endo Pharma (ENDP) opening sale of 15,000 April \$9 straddles for \$2.70

Franklin Covey (FC) trade closes 2,000 Jan. \$20 calls and opens 2,000 July \$20/\$25 call spreads

Louisiana Pacific (LPX) opening sale of 10,000 August \$18 puts for \$0.80 to \$0.70

Hasbro (HAS) working out of a nice base and 2,500 February \$87.5 calls open late \$2.75 in a stock replacement

STAAR Surgical (STAA) unusual late day trade buys 500 December \$35/\$50 call spreads for \$4.40

PayPal (PYPL) afternoon buyer of 1,000 Feb. 22nd (W) \$85 puts to open \$3.75

Hewlett Packard (HPQ) late day buy of 8,000 Jan. 2020 \$25 calls for \$1.145 as 4,000 February \$22 calls were sold against

Service-Now (NOW) large opening sale of 500 Jan. 2021 \$240 ITM puts \$66 down to \$65

Amedisys (AMED) opening sale of 400 June \$120 ITM puts for \$15.35