

TOP STORIES

- US, China Trade Talks End as Hopes for a Deal Build
- China Stepping Up Measures to Spur Consumption Amid Trade Slowdown
- Trump Said to Want Trade Deal With China Soon to Boost Markets
- U.K. Productivity Puzzle Continues With Smallest Rise Since 2016
- Crude Rise Above \$50/Barrel as API Inventories Show Big Drop

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2579 (6.5)	4.19
Nasdaq	6582.5 (25.25)	17.65
Dow	23820 (77)	55.55

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	6932.36	1.03%
DAX	10922.47	1.10%
Nikkei	20427.06	1.10%
Hang Seng	26462.32	2.27%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:20	Raphael Bostic Speaks	
9:00	Charles Evans Speaks	
10:30	EIA Petroleum	
11:30	Eric Rosengren Speaks	
2:00	FOMC Minutes	

FOREX

EUR/USD	1.1454 (0.12%)
USD/JPY	108.89 (0.15%)
USD/CAD	1.323 (-0.32%)
GBP/USD	1.2733 (0.13%)

COMMODITY

Oil	50.91 (2.27%)
Natural Gas	2.991 (0.81%)
Gold	1282.2 (-0.29%)
Copper	2.678 (0.83%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	20.35 (-4.91%)
Nasdaq	VXN	27.66 (-3.05%)
Oil	OVX	46.19 (-8.39%)
Gold	GVZ	11.16 (-4.37%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning after the US and China extended talks to a third day, boosting optimism that a deal could be close. The two sides reportedly made progress on US farm and energy purchases as well as access to Chinese markets. Official statements from both sides are expected later today. China is also unveiling new initiatives to boost spending and growth. An official reported that Beijing will introduce policies to raise domestic spending on autos and home appliances. There's a report this morning that Trump is also eager to strike a deal because of the negative perception surrounding the market swoon.

In Washington, Trump's national address calmed some fears that he was going to declare a national emergency. In his first ever prime-time address, POTUS simply reiterated his desire for \$5.7B in funding for a wall. The shutdown now enters its 19th day.

Asian markets closed strong again overnight with the Nikkei higher for the third straight day. **Panasonic** and **Komatsu** jumped 3%. **Astellas Pharma** was higher by nearly 3% after approval for Evenity in Japan. Chipmakers underperformed with **Advantest** down 2.5%. The group was under some pressure on reports that **Apple** is cutting production by 10%. Goldman was also out cautious on the supply chain following **Samsung's** guidance.

European markets were largely higher this morning, following Asia's lead. Autos and luxury goods rose with the China news. **Ted Baker** was higher by 11% after strong retail sales data. Eurozone unemployment improved in November to 7.9%, down from the 8% prior and expectation for 8.1%. This is the lowest since January 2009. German imports fell 1.6% in November while exports fell 0.4%, both worse than forecast. Swiss CPI fell in December to 0.7% vs 0.8% expected. French consumer confidence fell to its lowest level since 2014.

S&P TECHNICALS

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



5342 Advancing	Declining 1906
71.1%	25.4%
41 New High	New Low 30
57.7%	42.3%
2704 Above SMA50	Below 4802
36.0%	64.0%
1485 Above SMA200	Below 6021
19.8%	80.2%

KEY EVENTS TO WATCH**Earnings After the Close:** BBBY, KBH, PSMT, WDFC;**Conferences:** JP Morgan Healthcare, CES 2019, Citi TMT Conference, Goldman Sachs Energy Conference;**International Earnings tomorrow:** Fast Retailing, Tesco, Marks & Spencer;**Earnings tomorrow AMC:** SNX;**ANALYST ACTION/COMMENTS****Bank of America (BAC), CIT Group (CIT), MasterCard (MA), Regions Financial (RF)** upgraded to Buy at UBS**Diebold (DBD), NCR Corp (NCR)** upgraded to Buy at DA Davidson**Nike (NKE)** upgraded to Buy at HSBC**Colgate (CL), Keurig Dr Pepper (KDP)** upgraded to Buy at Goldman Sachs**PBF Energy (PBF)** upgraded to Overweight at MSCO**Akamai (AKAM)** upgraded to Overweight at Keybank**Wendy's (WEN)** upgraded to Outperform at OpCo**Noble (NBL), Concho (CXO)** upgraded to Buy at MSCO**Urban Outfitters (URBN)** upgraded to Buy at MSCO**Int'l Game (IGT)** upgraded to Buy at Sun Trust**Advance Auto (AAP)** upgraded to Buy at BAML**Foot Locker (FL)** upgraded to Outperform at Baird**Progressive (PGR), Ameriprise (AMP), Travelers (TRV)** upgraded to Overweight at Barclays**Brown Forman (BF/B), Estee Lauder (EL)** downgraded to Sell at Goldman Sachs**United (UAL)** downgraded to Sell at Imperial; **DAL** downgraded to Neutral; **PT** cut on **SAVE, AAL****Five Below (FIVE)** downgraded to Neutral at Loop**Continues on Page 6**Cowen starting **NUE, RS, TMST** at Outperform, **AKS, CLF, SCHN, STLD, CMC, X** at Neutral**CarGurus (CARG)** initiated Outperform at Oppenheimer**Restaurant Brands (QSR)** initiated Buy at Sun Trust**Teck Resources (TECK)** initiated Outperform at BMO**MEDIA HIGHLIGHTS****CBS Corp (CBS)** board to discuss potential **Viacom (VIAB)** deal at Jan 31 meeting – Bloomberg**Apple (AAPL)** CEO says ecosystem of products 'probably underappreciated' – CNBC**Sony (SNE)** may move production out of China if U.S. trade tensions rise – Nikkei**Clovis (CLVS)** CEO says company open to sale - BloombergMany landlords like **Simon Property (SPG), Brixmor (BRX)** welcome Sears end – WSJ

U.S. in danger of losing triple-A rating at Fitch – CNBC

Apple (AAPL) cutting iPhone production by 10% - Nikkei**Takeda** looks to divest \$10B of assets after Shire deal - FT**Bluebird Bio (BLUE)** mulls installment plan for gene-replacement therapy - WSJ**Micron (MU), Qualcomm (QCOM)** team up for automotive infotainment – Digitimes

China car sales fall for first time in over 20 years in 2018, down 6% - Bloomberg

More on Page 6**STOCK SPECIFIC NEWS OF NOTE****Amgen (AMGN)** EVENITY approved in Japan for treatment of osteoporosis**Tronox (TROX)** says Government Shutdown has Paused FTC Review of Cristal Acquisition**Antero Resources (AR)** says plans to grow production at 10%-15% CAGR from 2020-2023**BioMarin (BMRN)** lowers FY18 Kuvan net product revenue view to \$430M-\$450M**JBG Smith (JBGS)** sells Warner Building to CBRE Global Investors for \$376.5M**Husky Energy** mulling sale of non-core downstream assets**Sirius (SIRI)** sees FY revenue above forecasts**Globus (GMED)** preliminary Q4 revenue above estimates**Talend (TLND)** cuts Q4 outlook**Virtu (VIRT)** sees Q4 revenue above forecasts**Skyworks (SWKS)** cuts Q1 outlook citing weakness across largest smartphone customers

PRE-MARKET MOVERS

Moving Higher: STM 4%, MT 3.2%, ASML 2.4%, BABA 1.7%, CNHI 1.7%, MU 1.7%, CCL 1%

Moving Lower: BILI -4%, DB -2.5%

INSIDER TRADING (Form 4 Filings)

Buying: HY, UBS, OPK

Selling: CHD, MORN, MITK, CAN, NRG, ANSS, SMTC, FGEN, EW, HUBS, UTHR, PLAY, SQ, ZAYO

INSTITUTIONAL MONEY FLOW

Buying: GE, CLX, LXFT, NVDA, BMY, SPOT, BP, FDX, IQ, GOLD, JCP, C, DATA

Selling: TSLA, AAPL, MA, MSFT, AMD, GOOGL, DIS, JNJ, TJX, EQIX, PFE, CVX, HD

OPTION HIGHLIGHTS (Prior Day)

HSBC (HSBC) with a large opening buy of 5,000 February \$40 calls for \$2.20, shares consolidating in a narrow range. HSBC has some notable call buys in June \$35, \$40, and \$45 strikes. HSBC's range for 2016/2018 is roughly \$30/\$55 and shares hit a 61.8% Fibonacci retracement during the October sell-off. Shares need to clear \$42.35 to shift out of the 2018 downtrend that can carry shares to a retest of the big breakdown level at \$47. The \$168.5B Bank trades 11X Earnings, 0.91X Book and yields a hefty 4.87% dividend. It expects solid 4.6% top-line growth in 2019 with 6.6% EPS growth. HSBC sees an opportunity for Retail Banking and Wealth Management expansion and growth in the UK led by controlled mortgage expansion. Analysts have an average target near \$50 and short interest is negligible. Barclays downgraded shares to Underweight today and Citi cut to Sell last week on valuation and Honk Kong concerns seeing lower fee and trading income. HSBC shares are closely tied to Hong Kong and trade, the former owing to its 62.5% owned subsidiary Hang Seng Bank that accounts for 39% of Net Interest Income to HSBC Honk Kong. HSBC is increasingly seeing in the P&L the rewards of its patient construction of the best international deposit base of any bank. Hedge Fund ownership rose 3.5% last quarter in filings.

AFTER HOURS MOVERS

Gainers: GMED 10%, VIRT 7.5%, SWKS 5%, CGC 4%

Losers: SGH -12.7%, TROX -6%

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)

Sands Capital reports 5.7% stake in **Galapagos (GLPG)**

POTENTIAL SYMPATHY TRADES

LITE, FNSR, IIVI, SWKS, CRUS, AVGO, QRVO, TSM, QCOM – on more Apple production cuts

DHI, PHM, TOL, KBH, BZH – on LEN earnings

FAST, GWW, HDS – on MSM weak outlook

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

Lithia (LAD)	Chico's (CHS)	Maxar (MAXR)
Tilly's (TLYS)	Rent-a-Center (RCII)	CBL & Associates (CBL)
Wright Medical (WMGI)	Targa (TRGP)	Plug Power (PLUG)
Grace (GRA)	Sea Limited (SE)	Tilray (TLRY)
Meritor (MTOR)	Acuity (AYI)	Rite Aid (RAD)
Loxo Oncology (LOXO)	Banco Santander (sAN)	Opko Health (OPK)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Meritor (MTOR)	Life Storage (LSI)	Riot Blockchain (RIOT)
Hub Group (HUBG)	Ametek (AME)	Luxoft (LXFT)
Ion Geo (IO)	CBL & Associates (CBL)	Wright Medical (WMGI)
Globus (GMED)	NetScout (NTCT)	Uxin (UXIN)
Brunswick (BC)	Targa (TRGP)	New Age Bev (NBEV)
Grace (GRA)	Chico's (CHS)	Exact Sciences (EXAS)

OTM Calls on Offer

OTM Puts on Offer

Biggest IV30 Moves in Past Week

CNH Industrial (CNHI)	Merck (MRK)	PG&E (PCG)
Colfax (CFX)	Mallinckrodt (MNK)	BHP Group (BHP)
Fossil (FOSL)	Target (TGT)	Intersect (XENT)
Vale (VALE)	Baidu (BIDU)	Adtran (ADTN)
Archer Daniels (ADM)	AT&T (T)	Goodyear Tire (GT)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

AT&T (T)	HSBC	Lithia (LAD)
Bank of America (BAC)	Roku (ROKU)	Chico's (CHS)
Devon (DVN)	Snap (SNAP)	Rent-a-Center (RCII)
Apple (AAPL)	Nvidia (NVDA)	Targa (TRGP)
Rio Tinto (RIO)	Wells Fargo (WFC)	Devon (DVN)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Square (SQ)	Lam Research (LRCX)	I, 4,000 March \$33/\$45 call spreads
Intelsat (I)	3-D Systems (DDD)	ARQL, the April / July \$5 call calendar spread opening 1,000X
Philips 66 (PSX)	3M Co (MMM)	SWK, 300 July \$140/\$175 call spreads
Rio Tinto (RIO)	Gap (GPS)	MMM, 1,610 February \$185/\$170 put spreads
Neurocrine (NBIX)	Ball Corp (BLL)	EQIX, March \$360/\$420 call spread bought 200X

Media Mentions

Baidu (BIDU) driverless platform to power **Walmart (WMT)** logistics – Nikkei

EU expected to clear steel import curb after Trump tariffs – Reuters

Sears (SHLD) Gets Another Lifeline: Lampert's \$4.4 Billion Bid Still Alive – WSJ

Herbalife (HLF) CEO Goudis Resigns – WSJ

Trump urging OMB to consider Pentagon as wall funding source – Axios

Apple (AAPL) pushes trade-in program amid slower iPhone sales – WSJ

Tesla (TSLA) warns 'Full Self-Driving package' activation is 'far away', electrek

Stock Specific News

Chesapeake (CHK) sees Q4 production 462,000-464,000 boe/d; plans to lower rig count by approximately 20% in 2019

Gogo (GOGO) raises 2018 adjusted EBITDA view to high end of \$45M-\$60M range

Analyst Actions

Booking (BKNG) downgraded to Hold at Jefferies; downgraded to Neutral at MSCO

Expedia (EXPE) downgraded to Neutral at MSCO

Package Corp (PKG), Int'l Paper (IP) downgraded to Neutral at Wells Fargo

Lowe's (LOW) downgraded to Neutral at Barclays

Oracle (ORCL) downgraded to Neutral at Barclays

Nike (NKE) downgraded to Neutral at Baird

CNH Industrial (CNHI) downgraded to Sell at Deutsche Bank

Oasis (OAS) downgraded to Neutral at Piper

Extras

Continental Resources (CLR) breaking out above 50 MA today and a late trade opens 1,500 March \$50/\$42.5 bull risk reversals at \$0.60 debit

Cooper Tires (CTB) sale of 2,000 Jan. \$34 calls at \$0.25 to buy 3,000 of the February \$31/\$27 put spreads at \$0.80

Vocera (VCRA) buyer of 750 July \$45 calls today for \$3.40, name which has 1,275 of the April \$40 calls in OI

ViaSat (VSAT) unusual size trade for the name with 2,000 February \$55/\$50 bear put spreads bought to open for \$0.90 late day

Blackstone (BX) with 1,500 June \$31 puts sold to open for \$2.66

Flir Systems (FLIR) unusual opening buy of 300 April \$41 ITM Calls for \$4.90

Earnings After the Close

Ticker	Company	EPS Actual	EPS Forecast	Rev Actual	Rev Forecast	YY Growth	Notes
KSHB	KushCo	-\$0.10	-\$0.03	\$25.32	\$18.76	186.20%	
SGH	SMART Global	\$1.75	\$1.77	\$393.90	\$382.23	48.40%	

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
AYI	Acuity Brands		\$2.13		\$920.39		
STZ	Constellation		\$2.08		\$1,911.85		
GBX	Greenbrier	\$0.54	\$0.50	\$604.50	\$559.43	8.00%	FY In Line
LEN	Lennar	\$1.96	\$1.95	\$6,459.20	\$6,461.11	70.70%	
MSM	MSC Industrial	\$1.33	\$1.32	\$831.60	\$830.60	8.20%	Q2 Far Below
SCHN	Schnitzer Steel		\$0.56		\$561.48		