

TOP STORIES

- Markets Drift Higher on Optimism Around Trade, Dollar Lifts Again
- U.S.-China Talks Resume This Week in Beijing
- China Lunar New Year Sales Grew 8.5%, Lowest Growth Rate Since 2005
- UK Economy Contracts Again in December as Pre-Brexit Slowdown Bites
- New German Output-Data Anomaly Clouds View of Economy's Strength

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2712.75 (6.5)	5.87
Nasdaq	6939 (22.5)	20.87
Dow	25147 (66)	64.67

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7092.24	0.30%
DAX	10983.4	0.70%
Nikkei	Closed - Holiday	
Hang Seng	28143.84	0.71%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
11:30	3-Month and 6-Month Bill Auctions	

FOREX

EUR/USD	1.1307 (-0.19%)
USD/JPY	110.14 (0.38%)
USD/CAD	1.3274 (-0.02%)
GBP/USD	1.2905 (-0.32%)

COMMODITY

Oil	52.29 (-0.82%)
Natural Gas	2.688 (4.07%)
Gold	1311.3 (-0.55%)
Copper	2.793 (-0.62%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.72 (-3.97%)
Nasdaq	VXN	20.04 (-4.21%)
Oil	OVX	32.56 (-5.18%)
Gold	GVZ	9.89 (1.75%)

MARKET OUTLOOK

Futures are indicating a higher open for the week with trade talks between the US/China resuming today in Beijing. USTR Lighthizer has warned that time is running low to get a deal down by the March 1 deadline when tariffs are set to be expanded. However, POTUS has said that he would be willing to delay those hikes if 'sufficient progress' is made. According to Axios, Trump is in talks to invite Xi to Mar-a-Lago in March for a summit to end the trade dispute with China. The talks are informal. The dollar is continuing higher today, on pace for its eight straight session higher. The 10-year was at 2.646%. Precious metals under some pressure today.

In Washington, time is running out to make a deal on a budget before yet another Government shutdown. POTUS will be in El Paso today to push his border wall agenda while lawmakers in Washington could draw up another temporary spending bill to keep the government open. However, many believe that POTUS would be hesitant to sign such a bill and instead will opt for another shutdown.

Asian markets started the week higher with US/China talks kicking off again. Chinese markets re-opened after the Lunar New Year. The commerce ministry said that retail earnings jumped 8.5% Y/Y. Casino stocks **MGM**, **LVS**, **MLCO**, **WYNN** in focus today with Macau traffic jumped during the week with visitor arrivals up 26% during the first four days. Japan is on holiday for National Founding day.

European markets are bouncing from one-week lows with trade optimism. **Glencore**, **BHP**, and **Rio Tinto** are higher today with iron ore up again. Financials are also strong after some key Italian lenders passing ECB stress tests. **Deutsche Post** was up over 2% with postage hikes approved. **Just Eat** rose 2% after a shareholder pressed the company to explore a merger. **Smith & Nephew** is down 3.5% after reports it was looking to acquire **Nuvasive (NUVA)**. UK GDP slowed in Q4 to 1.3%, worse than the 1.4% forecast and down from 1.6%. Construction output missed forecasts badly (-2.8% vs 0.2%) while industrial production and manufacturing production both slowed. Business investment for Q4 fell 3.7%.

S&P TECHNICALS

Levels: Support 2,700/2,650; Resistance 2,750/2,800



KEY EVENTS TO WATCH

Earnings After the Close: AMBR, AMKR, BHF, BRKR, CHGG, CMP, ROAD, ELVT, RE, FARM, FMC, RAMP, MIME, MOH, MGI, LABL, OHI, OMF, RNG, VRNS, VECO;

Analyst Days: NSC;

Conferences: Credit Suisse Financial Services, Credit Suisse Energy Summit, Stifel Transports and Logistics;

Economic Data on Tuesday: NFIB Small Business Optimism at 6:00 AM, Redbook at 8:55 AM, JOLTS at 10, Esther George Speaks at 5:30, Loretta Mester Speaks at 6:30;

Earnings Before the Open: AYR, ARCC, FIS, HUN, IPGP, HLL, MLM, MDSO, TAP, NNN, NP, NRZ, ONDK, SABR, SHOP, STE, TOWR, UAA, USFD, WEC, WELL;

ANALYST ACTION/COMMENTS

Proteon (PRTO) upgraded to Outperform at JMP Securities

Canadian Solar (CSIQ) upgraded to Neutral at UBS

Tesla (TSLA) upgraded to Buy at Cancaccord

Avis Budget (CAR) upgraded to Buy from Sell at Goldman

Lloyds (LYG) upgraded to Overweight at MSCO

Triumph Group (TGI) upgraded to Buy at BAML

Electronic Arts (EA) upgraded to Buy at BAML

Bed Bath & Beyond (BBBY) downgraded to Sell at Loop

Floor & Décor (FND) downgraded to Hold at Gordon Haskett

CBS Corp (CBS) downgraded to Neutral at Atlantic

Vocera (VCRA) downgraded to Neutral at Chardan

Edison (EIX) downgraded to Neutral at Wells Fargo

Aramark (ARMK) downgraded to Neutral at Goldman

Goodyear Tire (GT) downgraded to Sell at Longbow

New Oriental (EDU) downgraded to Neutral at JP Morgan

Nvidia (NVDA) downgraded to Neutral at Bernstein

Intercontinental (IHG) initiated Buy at BAML

Fibrogen (FGEN) initiated Buy at Stifel, \$71 PT

Everi (EVRI) initiated Buy at Sun Trust, \$9 PT

Piper sees 2018 deals pushing **Merit Medical (MMSI)** shares 'much higher'

MEDIA HIGHLIGHTS

Smith & Nephew (SNN) in discussions to acquire **NuVasive (NUVA)** for over \$3B - FT

Toshiba to cut operating profit forecast by half – Nikkei

Barron's positive on **BBY, VOYA, WAB, PTC, BA, EL**; cautious on **MGNX, T, MYGN**

Baseball owners support MLB bid for **Fox (FOXA)** regional sports networks – NY Post

Credit Suisse (CS) exec says bank will not be scaled back anymore – AZ

Investors want shakeup at **Barclays (BCS)** – Telegraph

Taiwan Semi (TSM) likely to remain exclusive supplier of Apple A-series chips – Digitimes

Activision Blizzard (ATVI) to cut 'hundreds of jobs' this week – Bloomberg

Touch, memory module makers **TPK Holding** to be hit by weak iPhone sales – DigiTimes

Foxconn optimistic about 2019 - Digitimes

Amazon (AMZN) Has a Big Advertising Business. **Walmart (WMT)** Wants One Too – Bloomberg

Europe's Scooter Firms Said to Talk Mergers as **Lime** Expands – Bloomberg

Macau Casino Stocks Jump on Strong Holiday Tourism From China (**MGM, WYNN, LVS, MLCO**) – Bloomberg

STOCK SPECIFIC NEWS OF NOTE

SkyWest (SKYW) January traffic up 5.5% Y/Y

Atmos Energy (ATO) to replace Newfield in S&P 500; **Spire (SR)** to join S&P 400

Allergan (AGN) says committed to continuing to engage with Appaloosa

DOJ sues **Lockheed Martin (LMT)**, others for inflated IT subcontract costs

Regeneron (REGN) presents positive detailed 1-year results from Phase 3 PANORAMA trial

InterDigital (IDCC) makes binding offer to acquire Technicolor R&I unit

Camtek (CAMT) says Chroma Ate to acquire 20.5% of company at \$9.50 per share

Ingersoll-Rand (IR) to acquire Precision Flow Systems for \$1.45B from Carlyle

PRE-MARKET MOVERS

Moving Higher: VALE 2.7%, UNG 2.7%, TSLA 2.7%, EA 2.4%, JD 1.5%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: KEM, KMI, ADM, ZBH, POST, T

Selling: FN, CBAY, SRPT, DIS, ARRY, SWKS, FGEN, MLAB, WBS, TTEK, FB, SBUX, MSFT, YUM

INSTITUTIONAL MONEY FLOW

Buying: CVET, AMZN, BA, JPM, WFC, UNH, INTC, GE, GD, VFC, MPC, MCD, ANTM

Selling: MSFT, AAPL, V, LLY, CSCO, HON, VZ, MRK, NFLX, T, AMGN, BABA, NVDA, SBUX, ABBV

OPTION HIGHLIGHTS (Prior Day)

Rio Tinto (RIO) buyer of 4,000 April \$55 calls to open \$2.65 offer and follows over 23,000 April \$60 calls bought over the last week. RIO has seen buyers in the March \$52.50 calls recently as well with a number of bullish positions out to January 2020 open as well from last year. RIO has been on a strong run recently and pulling back to the 8-EMA today with a longer-term bull flag forming under \$60 and the July highs. A breakout targets \$75 from the recent multi-month base. The \$90B industrial metals giant trades 12.5X earnings, 2.2X sales, and 11X cash with a 4.5% yield. RIO is getting a boost this month from a rally in iron ore which is hitting its highest level since 2014 in the wake of the Vale dam collapse and potential for more mine closures which will keep a bid under prices. RIO has shifted their focus in 2019 to returning over \$7B to shareholders while re-shaping their portfolio around high-return growth assets while divesting over \$5B of assets last year including underperforming coal and coking coal. Analysts have an average target for shares of \$56 with 7 buy ratings, 9 hold ratings, and 3 sell ratings. UBS was out positive on 2/7 noting that the recent run in iron ore prices is a positive tailwind for RIO as every \$10 higher boosts their FCF by \$1.9B. JP Morgan downgraded shares to Underweight on Monday citing a 'less defensive balance sheet' near term and the recently rally reflecting higher iron ore prices. Institutional ownership rose 47.5% last quarter. Impala Asset Management a buyer of nearly 1M shares. Short interest is 0.77%.

AFTER HOURS MOVERS

Gainers: NUVA 17.9%

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.67	Declining
CBOE Index Put/Call Ratio	1.57	Elevated
CBOE Skew Index	127.72	Moving Off of Recent Lows
VIX Curve	Contango	Normal
CNN Fear & Greed Index	61	Greed
NYMO	10.08	Fading
NYSE Highs/Lows	83.87	Multi-Month Highs
McClellan Summation	898.87	Above 8-EMA
Univ. of Michigan Consumer Sentiment	91.2 (January)	-4.7% Y/Y

SMART MONEY (13g/13d Filings)

Third Point top adds in Q4 include **CPB, CRM, IQV, SHPG**, new position in **Cigna (CI)**, Sold out of **BABA, WPX, LEN, UTX, MSFT, NFLX, DE, MPC**

POTENTIAL SYMPATHY TRADES

MLCO, LVS, MGM, WYNN – on strong visitor data from Lunar New Year

KTWO, WMGI, ATEC, – on SNN/NUVA talks

IPO /SECONDARY MONITOR

Virgin Trains USA (VTUS) issuing 28.3M shares at \$17-\$19; Owner and operator of express passenger rail system in Florida

Biotech IPOs from **AVDR, CBUS, MITO** and **TCRR**

TRADE

WEEKLY TECHNICAL BREAKOUT

EW:



Edwards Lifesciences (EW) shares are consolidating in a small bull flag just below new highs with a breakout above \$175 targeting \$187. RSI and MACD are in healthy trends while shares are finding support at the rising 8- and 13-EMA over the past week.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Teledyne (TDY)

Price: \$228

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	25.4X	2.9X	3.7X	17.3X	23.4X
Industry Avg.	30.9X	4.1X	4.0X	16.7X	27X

Analysis: TDY is a \$8.19B company which focuses on scientific instruments like cameras for digital imaging, aerospace, and other defense electronics. TDY is growing earnings at 6-7% while revenues are expected to grow 5% annually through FY20. The company is benefitting from higher growth in their defense segment with microwaves for space applications driving upside last quarter. In December, the company announced it was buying Roper's SI units for \$225M.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

BIG:



Big Lots (BIG) shares have bounced back to cloud resistance and the 50-day MA after hitting 52-week lows recently. Shares are back near small support at \$30.80 while a breakdown under trend support targets a move back to \$27/\$28. MACD is back at zero and rolling over.

PAIR TRADE OF THE WEEK

Industry: Beauty

Long/Short: Long **Ulta Products (ULTA)**, Short **Sally Beauty (SBH)**

Analysis: ULTA is executing well and expanding their store count while gaining share in a large, fragmented market. Shares trade 2.65X sales with double-digit growth expected. SBH sees SSS flat for the year and margins could be under pressure with a higher level of investments. Traffic trends have also been unsteady.

SMALL CAP TRADE OF THE WEEK

Mesa Labs (MLAB) is a \$906M maker of quality control instruments used in the manufacturing of products including dialysis machines, gas meter, and torque testing for bottle-caps. Shares trade at 33.5X earnings but with double-digit growth and revenue growth of 16.5% and 14.2% over the next two years. MLAB has been expanding their scale through acquisitions recently.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Elanco (ELAN)	Elanco (ELAN)	Solid Bio (SLDB)
M&T Bank (MTB)	Inogen (INGN)	Daktronics (DAKT)
Wright Medical (WMGI)	Northern Oil (NOG)	Novavax (NVAX)
Total Systems (TSS)	Arlo Tech (ARLO)	FTD Co (FTD)
Electronic Arts (EA)	Avalara (AVLR)	Intersect Ent (XENT)
Santander Consumer (SC)	Fibrogen (FGEN)	Groupon (GRPN)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
WEC Energy (WEC)	Brightview (BV)	Skechers (SKX)
Red Rock (RRR)	Frontdoor (FTDR)	Mohawk (MHK)
Pernix (PTX)	Life Storage (LSI)	Coty (COTY)
Bloomin' Brands (BLMN)	Ecopetrol (EC)	Elanco (ELAN)
G-III Apparel (GIII)	Immunomedics (IMMU)	Arlo Tech (ARLO)
Masco (MAS)	Charter (CHTR)	Nuance (NUAN)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Kraft Heinz (KHC)	General Motors (GM)	Intercept (ICPT)
Worldpay (WP)	Ebay (EBAY)	Ascendis (ASND)
ConAgra (CAG)	Qualcomm (QCOM)	Tocagen (TOCA)
Pinduoduo (PDD)	Novavax (NVAX)	Intra-Cellular (ITCI)
Keycorp (KEY)	Snap (SNAP)	Pyxus (PYX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Vale SA (VALE)	Fiat Chrysler (FCAU)	Elanco (ELAN)
Electronic Arts (EA)	Apple (AAPL)	Inogen (INGN)
US Bank (USB)	PG&E (PCG)	Northern Oil (NOG)
Netflix (NFLX)	Nio (NIO)	Electronic Arts (EA)
Zayo Group (ZAYO)	Freeport (FCX)	M&T Bank (MTB)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Electronic Arts (EA)	Cliff's (CLF)	CAG, 2,500 Jan. 2020 \$25/\$20 bull risk reversals
Expedia (EXPE)	Weight Watchers (WTW)	RCL, 500 September \$120/\$110 bull risk reversals
Wright Medical (WMGI)	Devon (DVN)	HGV, 1,650 March \$31/\$28 strangles
Bloomin Brands (BLMN)	RBI (QSR)	GE, August \$10/\$13 call spread 5,000X10,000
Rio Tinto (RIO)	Seattle Genetics (SGEN)	VALE, June \$13/\$15 call spread 20,000X40,000

News / Media Mentions

China New Year Binge Spending Rises at Slowest Pace in Years – Bloomberg

Amazon's (AMZN) opponents think the company is bluffing about killing its HQ2 plan in NYC – Re/Code

Euronext offers \$786M for **Oslo Bors** as tries to nix **Nasdaq (NDAQ)** bid – Reuters

IKEA accelerates services drive as competition stiffens – Reuters

Trump to launch 'American AI Initiative' later today (**NVDA, INTC, AMD**) – The Verge

Zynga's (ZNGA) turnaround: How once-beleaguered game company plans for 2019 growth – WSJ

Consumer staples expect to raise prices again in 2019 – WSJ

Just Eat shareholders are pushing the company to consider a merger with **Takeaway.com** – Reuters

Apollo (APO) close to \$3B deal to buy Cox regional stations – Reuters

Starboard believes **Dollar Tree (DLTR)** should stop pricing all items at \$1 – FT

Some private equity firms want to sell prison investments (**CXW, GEO**) – FT

Apple (AAPL) iPhone shipments contracted faster than overall market – Bloomberg

Morgan Stanley (MS) plans to acquire Solium Capital for \$900M – WSJ

Full Conference Schedule

Credit Suisse Financial Services (AMG, AGNC, ALLY, APO, ARES, BLK, COF, C, CFG, DFS, ETFC, EVR, FDS, FCFS, KKR, LAZ, LM, LNC, LPLA, MKTX, MTG, NYCB, NTRS, OAK, RJF, SPGI, SLM, STWD, STI, ALL, BX, CG, GS, WRB, WFC, WETF, RLI, CIT, STT, MS, NAVI, WAL, ZION, NDAQ, CBOE), **Credit Suisse Energy Summit** (PDCE, AMR, APC, ANDX, AR, APA, BHGE, BCEI, BP, BRS, CJ, WHD, CPE, CNQ, CRZO, GTLS, LNG, CVX, CMS, CLB, DK, D, DNR, ERII, ERF, XOG, XOM, GTE, HAL, HES, HP, HCLP, FRAC, KMI, KOS, TUSK, MPC, MUR, NOV, NINE, NI, NEE, NEP, NE, NBL, PTEN, BTU, PBR, PSX, PUMP, RRC, RDS.A, SLB), **Stifel Transports and Logistics** (AAL, ALGT, FDX, JBLU, NAV, SNDR, UAL, UPS, YRCW, SF, CNI, KNX, RRTS, GWR, KEX, MRTN, GBX, LSTR, DSKE, CHRW, WERN, ODFL, GATX, SALT, STNG, SKYW, GOL, MTOR, SAVE, UNP, FWRD, USAK, SAIA, HUBG, ATSG, ECHO)

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
--------	---------	------------	--------------	-------------	---------------	------------	-------

AVYA	Avaya Holdings		\$0.88		\$764.44		
CNA	CNA Financial	-\$0.08	\$0.93		\$1,871.00		
DO	Diamond Offshore	-\$0.42	-\$0.40	\$232.50	\$249.89	-32.80%	
GPPE	Green Plains		-\$0.51		\$894.16		
NSP	Insperity	\$0.69	\$0.65	\$966.80	\$959.22	17.00%	FY Above
KMPR	Kemper	\$0.91	\$0.79	\$1,156.90	\$1,152.35	67.80%	
L	Loews Corp	-\$0.53	\$0.33				
MCY	Mercury General		\$0.47		\$832.44		
MDP	Meredith	\$1.53	\$1.29	\$853.50	\$859.28	104.30%	FY In Line
MPAA	Motorcar Parts of America		\$0.38		\$115.98		
QSR	Restaurant Brands Int'l	\$0.68	\$0.67	\$1,385.00	\$1,385.41	12.20%	

Extras

Northern Oil (NOG) with 20,000 January \$1.50 puts sold to open today for \$0.20

NXP Semi (NXPI) late buyers of the January 2020 \$100 calls for \$6.45 to \$6.60, over 2,000X

Santander Consumer (SC) also seeing 2,500 April \$22 calls bought for \$0.35 and 2,000 of the \$23 calls for \$0.20. SC now buyers of 1,250 July \$21 calls for \$1.10 to \$1.15

Fibrogen (FGEN) with 4,000 April \$35 puts opening late from \$1.05 to \$1.20 tied to stock

Applied Optoelectronics (AAOI) buyers of 1,000 February 22nd (W) \$17 puts for \$2.33 to \$2.39 today ahead of 2-21 earnings

Holly Frontier (HFC) buyer of 350 January 2021 \$60 calls for \$7.60 to \$7.70

Chipotle (CMG) spreads this afternoon are buying the March \$610/\$630 call spread and selling the \$540 puts for a small \$0.05 credit, 565X; also seeing some January 2020 \$600 and \$610 calls close and roll out to open over 600 January 2021 \$680 calls between \$75 and \$80

Coupa Software (COUP) with 280 June \$90 calls bought today for \$14.17 to \$14.20, rolling up from the \$85 calls into strength

Tata Motors (TTM) with 2,500 January 2020 \$27 puts bought for \$16.50 as the \$23 puts adjust back

Wynn Resorts (WYNN) buyer of 1,700 March 8th (W) \$130/\$145 call spreads for \$2.86

Arrowhead Pharma (ARWR) with over 1,925 March \$14 calls bought on the day up to \$2.25

Total Systems (TSS) with 3,000 May \$100 calls sold to open from \$1.20 to \$1.10 today

Ligand Pharma (LGND) with a late afternoon buyer of 297 May \$115 puts for \$12.30, recent short report out and concerns over their model

Inspire Medical (INSP) afternoon buyers of 380 March \$50 calls for \$8.60 to \$9.40 today, breaking out of a bull flag today and earnings on 2-26

Marathon Petroleum (MPC) with over \$330K in January \$50 calls bought this afternoon to open as the February calls adjust out

Anadarko (APC) stock replacement buys 2,000 February \$41 calls for \$1.11 today

Macrogenics (MGNX) big move higher on data this week and today 500 April \$25/\$20 bull risk reversals opened for \$0.45 debit

SS&C Tech (SSNC) buyers of 1,925 February \$55 calls for \$0.60 to \$0.65 into 2-14 earnings