

## TOP STORIES

- Chinese Negotiators Head Back to Washington for More Talks
- WTO: Global Trade Growth Will Continue to Slide in 2019
- German Investor Confidence Rises in Modest Sign of Pickup
- U.K. Wage Growth Fastest Since 2008 Amid Labor Shortages
- U.K., EU Had 'Productive' Talks on Brexit

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2767.5 (-9.5)</b>	<b>-7.65</b>
<b>Nasdaq</b>	<b>7043.5 (-20.25)</b>	<b>-16.68</b>
<b>Dow</b>	<b>25797 (-91)</b>	<b>-79.25</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	<b>7174.85</b>	<b>-0.62%</b>
DAX	<b>11265.54</b>	<b>-0.30%</b>
Nikkei	<b>21302.65</b>	<b>0.10%</b>
Hang Seng	<b>28228.13</b>	<b>-0.42%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:50	Loretta Mester Speaks	
10:00	Housing Market Index	59

## FOREX

EUR/USD	<b>1.1277 (-0.27%)</b>
USD/JPY	<b>110.76 (0.14%)</b>
USD/CAD	<b>1.3252 (0.10%)</b>
GBP/USD	<b>1.2915 (-0.05%)</b>

## COMMODITY

Oil	<b>56.14 (0.99%)</b>
Natural Gas	<b>2.616 (-0.34%)</b>
Gold	<b>1331.6 (0.72%)</b>
Copper	<b>2.827 (1.02%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	<b>14.91 (-8.08%)</b>
Nasdaq	VXN	<b>17.70 (-6.94%)</b>
Oil	OVX	<b>29.46 (-8.22%)</b>
Gold	GVZ	<b>10.16 (2.42%)</b>

## MARKET OUTLOOK

Futures are indicating a modestly lower open to kick off the week with trade talks resuming in Washington. Mnuchin, Lighthizer, and China's He won't join until Thursday as the March 1 deadline approaches. USDA's Steve Censky said this weekend that the two sides still have a long way to go. EU officials are threatening retaliation against the US if they impose an auto tariff after POTUS received the final report late last week. EU's Juncker has said they will halt purchases of LNG and soy if Trump breaks the July truce. In Washington, the President faces significant blowback from his decision to declare an executive order by diverting funds for a border wall. The dollar is moving higher this morning.

Asian markets were quiet this morning with the Nikkei edging higher to test 2-month highs. A new round of trade talks between the US and China in focus this week as they resume in Washington. Defensive groups like utilities led the gains. **Softbank** fell over 3% after reports in the WSJ about key investors unhappy with the valuation of their Vision Fund.

European markets are trading weak this morning with the financials and miners weighing. **BHP** missed first half estimates due to production outages while **HSBC** was down 2% after earnings. The autos like **Daimler** were all down modestly amid tariff talk. **Wirecard** was up 7%. **HeidelbergCement** was up 4.4% after strong earnings. EU economic sentiment came in better than feared at -16.6 vs -18.2 in the latest reading. UK unemployment improved in December while wage growth improved. German economic sentiment for February improved more than expected. Italian industrial sales dropped sharply in December, down 7.3%.

**McDonalds (MCD)** in focus today after being upgraded to Overweight at Stephens, \$200 PT. The firm thinks the core US business is accelerating and positioned to show upside in Q1 behind improvements to the company's breakfast menu and expected increased menu innovation.

## S&P TECHNICALS

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



5514 Advancing	Declining 1699
72.8%	22.4%
221 New High	New Low 29
88.4%	11.6%
6352 Above SMA50	Below 1210
84.0%	16.0%
3334 Above SMA200	Below 4228
44.1%	55.9%

**KEY EVENTS TO WATCH**

**Earnings After the Close:** ACC, AWK, CRMT, NTB, CDNS, CXO, CXW, DVN, FANG, WIRE, EVBG, FE, FIVN, HCKT, HVT, HSTM, HLF, HST, HBM, IOSP, INST, TILE, NVTA, KAR, LNTH, LZB, LMAT, LC, LKSD, ROIC, SSTI, TX, TXRH, TVTY, RARE, VRSK;

**Analyst Days:** ALLK, JEC;

**Conferences:** CAGNY 2019 (GIS, JNJ, CCE, TSN, MDLZ, INGR, IFF, SYI, K, MO, SJM, HSY, PEP, STZ, MKC, CGC, UL, PG, CHD, CLX, THS, HLF, NWL, CL, KO);

**Economic Data on Wed:** FOMC Minutes at 2:00;

**ANALYST ACTION/COMMENTS**

**Cosan (CZZ)** upgraded to Overweight at JP Morgan

**McDonalds (MCD)** upgraded to Overweight at Stephens

**Taubman (TCO)** upgraded to Neutral at Evercore

**Matador (MTDR)** upgraded to Buy at Sun Trust

**Southern Copper (SCCO)** upgraded to Buy at Citi

**Freeport McMoRan (FCX)** upgraded to Buy at Citi, \$16 PT

**WW (WTW)** downgraded to Sell at JP Morgan

**XPO Logistics (XPO)** downgraded to Neutral at MSCO

**Hilton (HLT)** downgraded to Neutral at Evercore

**Sensient (SXT)** downgraded to Neutral at Keybank

**CSX Corp (CSX)** downgraded to Neutral at RBC Capital

**Lululemon (LULU)** downgraded to Neutral at Nomura

**Uniti (UNIT)** downgraded to Neutral at Raymond James

**Papa John's (PZZA)** downgraded to Sell at Stifel

**iRobot (IRBT)** downgraded to Hold at Canaccord

**Chemours (CC)** downgraded to Neutral at Susquehanna

**Norfolk So. (NSC)** downgraded to Sell at RBC Capital

**Southern Copper (SCCO)** initiated Buy at Goldman

**Lithia Auto (LAD)** initiated Overweight at JP Morgan

**Auto Nation (AN)** initiated Underweight at JP Morgan

**Buenaventura (BVN)** initiated Sell at Goldman

**Group 1 (GPI)** initiated Overweight at JP Morgan

**MEDIA HIGHLIGHTS**

Taiwan panel makers see weak results in Jan. - Digitimes

Trump Receives Car Import Threat Report, Yet to Decide on Action (**FCAU, GM, F**) - Bloomberg

HNA Weighs \$1 Billion Sale of Aircraft Maintenance Firm **SR Technics** - Bloomberg

Saudi Crown Prince Stepping Up Bid for **Manchester United (MANU)** - Bloomberg

HNA Cuts **Deutsche Bank (DB)** Stake as Chinese Group Plans Exit - Bloomberg

**Uber** boasts of \$50B in 2018 bookings ahead of IPO - NY Post

**Raytheon (RTN)** wins \$1.5B UAE AF contract – Reuters

Macau police investigate suspected murder at **Sands (LVS)** casino resort – Reuters

**Freeport (FCX)** has not received new copper export permit from Indonesia – Reuters

Starboard gauges **Bristol-Myers (BMY)** shareholder support for Celgene deal – Reuters

**Papa John's (PZZA)** founder Schnatter welcomes hedge fund Starboard – Reuters

Court says **Windstream (WIN)** defaulted on bonds in 2015 by spinning off **Uniti (UNIT)** – Bloomberg

**Delta (DAL), EasyJet** Consider Up to \$452 Million Alitalia Stake – Bloomberg

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**STOCK SPECIFIC NEWS OF NOTE**

**MSG (MSG)** denies Knicks sale talks after media claims

**Oracle (ORCL)** authorizes additional \$12B stock buyback

**Regeneron (REGN)** EPO revokes Immunex's EU patent

**Aveo Pharma (AVEO)** presents TIVO-3 trial topline results

**Merck (MRK)** presents Phase 3 KEYNOTE-426 data

**Pfizer (PFE), EMD Serono** announce publication of Phase 3 data for BAVENCIO plus INLYTA

**Navient (NAVI)** rejects \$3.2B takeover offer from Canyon Capital, Platinum Equity

**Universal Forest (UFP)** signs agreement to acquire Wolverine Wood Products

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**PRE-MARKET MOVERS**

**Moving Higher:** ICPT 22%, PCG 9%, NTES 4%, WMT 4%, YNDX 2.4%, FCX 2.2%

**Moving Lower:** UNIT -38.9%, HSBC -4%, DB -3.4%, AAP -2.9%, AZN -2.8%, BUD -1.7%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** UFI, DISH, ZBH, GT

**Selling:** TSLA, STML, VRNS, EXEL, CRM, SHAK, MCD, NFLX, RTN, BMRN, RNG, RTN

**INSTITUTIONAL MONEY FLOW**

**Buying:** AAPL, FB, BABA, SPG, ICE, NFLX, ADBE, ALLE, SQ, NUE, DPZ, HRB, BLL, NTES

**Selling:** GLD, JNJ, ABT, VZ, AME, HSY, AMT, PGR, LH, C, K, D, BSX, MPC, MS, GS

**OPTION HIGHLIGHTS (Prior Day)**

**ABB Ltd. (ABB)** shares triggered a weekly base breakout on the open this morning, a name that traded to \$28.50 in early 2018 and since has hit a low near \$18, not recovering like many American peers. ABB now has plenty of room to make a run back to \$22 or higher and has seen some call accumulation, a name with low volatility offering cheap upside calls. It has 4,350 March \$20, 2,500 March \$21, 5,400 June \$20 and 3,725 June \$21 calls in open interest from offer side buys. It also has September \$20 and \$21 calls 1,288 and 1,947 respectively. The \$42B Swiss Industrial trades 12.9X Earnings, 1.17X Sales, 21.9X FCF and 8.3X FY19 EV/EBITDA with a 4.29% dividend yield. ABB will report earnings on 2-28. The growth outlook is healthy after 8.5% topline growth in 2018 seeing 6% growth in 2019 and 15% EPS growth forecasted. Barron's was out positive earlier this month noting the industrial giant is taking steps to hike growth and return billions to shareholders. There was a report out of a European paper recently noting ABB is considering more deals in the robotics space as well. ABB is a leader in Power Grids, Electrification, Industrial Automation, and Robotics/Motion. Analysts have an average target of \$22.60 on shares and short interest low at 0.1% of the float. The Street is mostly at Hold and Sell ratings. Vertical Research cut to Sell on 1/10 citing weak oil prices and mounting China trade pressures as well as an insufficient backlog to support the 2019 outlook. In December it sold 80.1% of Power Grids to Hitachi for \$9.1B. Hedge Fund ownership was down around 5% in recent filings,

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:** WIN -57%, UNIT -30%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.67	Low
CBOE Index Put/Call Ratio	0.95	Low
CBOE Skew Index	129.55	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	70	Greed
NYMO	52.23	Rising
NYSE Highs/Lows	88.68	High
McClellan Summation	1084.78	Above 8-EMA
Univ. of Michigan Consumer Sentiment	95.5 (February)	-4.2% Y/Y

**SMART MONEY (13g/13d Filings)**

Eminence Capital reports 5.4% stake in **Berry Global (BERY)**

**POTENTIAL SYMPATHY TRADES**

**TGT, AMZN, COST** – on WMT earnings

**AZO, ORLY, GPC** – on AAP earnings

**VKTX, MDGL, ENTA, CNAT, GLMD** – on ICPT NASH readout

**IPO /SECONDARY MONITOR**

Nothing Scheduled at this Time

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**CB:**



**Chubb (CB)** shares are consolidating in a weekly range under \$135 and eyeing a move out of a year-long channel down. Shares have room up to \$137.50/\$140 in the near-term and above a big volume shelf to \$145.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Hubbell (HUBB)

**Price:** \$118.60

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>13.7X</b>	<b>1.45X</b>	<b>3.6X</b>	<b>12.5X</b>	<b>15.5X</b>
<b>Industry Avg.</b>	<b>19.1X</b>	<b>1.6X</b>	<b>2.4X</b>	<b>10.1X</b>	<b>36.7X</b>

**Analysis:** The \$6.48B company trades 13.7X earnings and 1.45X sales with 10.9% EPS growth and 5.3% revenue growth. HUBB focuses on electrical and power products for industrial and commercial facilities with products like connector and grounding equipment, fixtures, and controls. They also sell testing equipment for mining and oil and gas industries. Insiders have been active buying stock between \$100 and \$105 with over \$500K purchased in the last ten months.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**NTES:**



**NetEase (NTES)** shares are trading in a weekly bear flag back to cloud resistance and breaking a channel last week which targets back to \$200. MACD and RSI are both rolling over back under key levels while the long-term trend has been lower since topping in November.

## PAIR TRADE OF THE WEEK

**Industry:** Foods

**Long/Short:** Long **Nomad Foods (NOMD)**; Short **TreeHouse (THS)**

**Analysis:** NOMD trades just 13X earnings with 8-9% growth while gaining shelf space in niche frozen foods. THS has a debt-heavy balance sheet owing to their ill-timed \$2.7B deal for Ralcorp and struggling with margins as price hikes can't make up for volume losses.

## SMALL CAP TRADE OF THE WEEK

**Virtus (VRTS)** is a \$704M asset management company which trades 1.3X book and 2.77X cash with a 2.2% yield. VRTS has a high-level of FCF which can drive buybacks and debt paydown to improve the balance sheet. VRTS has high-quality exposure for more than 70% of their AUM while seeing improved trends in 2019 from Kayne Anderson and Ceredex into their EM offerings.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Bloomin' Brands (BLMN)	AMN Health (AMN)	Ascendis (ASND)
Diebold (DBD)	Daktronics (DAKT)	Sprint (S)
Radian (RDN)	Legg Mason (LM)	CorMedix (CRMD)
Ellie Mae (ELLI)	Ascendis (ASND)	Viking Therapeutics (VKTX)
Uniqure (QURE)	Cooper Tire (CTB)	Arlo Tech (ARLO)
Farfetch (FTCH)	Raymond James (RJF)	Biohaven (BHVN)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Microvision (MVIS)	Vitamin Shop (VSI)	Amyris (AMRS)
Luminex (LMNX)	Legg Mason (LM)	Redfin (RDFN)
Altice (ATUS)	Assured Guaranty (AGO)	AMN Health (AMN)
Live Nation (LYV)	Conduent (CNDT)	LogMeIn (LOGM)
Belmond (BEL)	Go-Daddy (GDDY)	Genworth (GNW)
Vistra Energy (VST)	Cal-Maine (CALM)	Nvidia (NVDA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Uniqure (QURE)	Steel Dynamics (STLD)	Intercept (ICPT)
McDermott (MDR)	Fitbit (FIT)	Ascendis (ASND)
Sprint (S)	Opko (OPK)	Tocagen (TOCA)
Nokia (NOK)	AMN Health (AMN)	Intra-Cellular (ITCI)
L Brands (LB)	US Steel (X)	Pyxus (PYX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Advanced Micro (AMD)	Halliburton (HAL)	AMN Health (AMN)
Energy Transfer (ET)	Apple (AAPL)	Daktronics (DAKT)
Lilly (LLY)	P&G (PG)	Legg Mason (LM)
Qualcomm (QCOM)	Caesars (CZR)	Bloomin' Brands (BLMN)
Nvidia (NVDA)	General Electric (GE)	Diebold (DBD)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Coca Cola (KO)	Hilton (HLT)	WMT, 1,500 June \$100/\$90 put spreads
Citizens (CFG)	Fluor (FLR)	BAC, 39,000 April \$32/\$27 strangles bought
Uniqure (QURE)	Marriott (MAR)	MA, March 8th (W) \$220/\$215 put ratio spread 1,500X3,000
Edgewell Personal (EPC)	Carvana (CVNA)	DBD, 1,000 August \$10/\$15 call spreads
Franco Nevada (FNV)	Lowe's (LOW)	TXN, buyer of 2,000 April \$110 straddles

## Media Mentions & News

**Best Western** Plugs Luxury Gap by Buying **WorldHotels** – Skift

Cannabis is driving horticultural lighting sales, \$6.2B market by 2023 (**AYI, CREE, PHG**) – Bloomberg

**Palo Alto Networks (PANW)** announces intent to acquire Demisto for \$560M in cash, stock

**BHP Billiton (BHP)** abandoning \$1B productivity drive

**Targa Resources (TRGP)** sells 45% interest in Bakken assets for \$1.6B in cash

**Kraton (KRA)** initiates review of strategic alternatives for Cariflex business

Key investors concerned over **SoftBank's** \$100B Vision Fund - WSJ

**Southwest (LUV)** being probed by FAA over baggage weight discrepancies - WSJ

Brazil investigation finds **Vale (VALE)** employees knew dam wasn't safe – WSJ

NAND flash prices likely to stop falling in 2Q19 – Digitimes

China Abandons Cybersecurity Truce With U.S. – Bloomberg

**Payless ShoeSource** files for bankruptcy as it closes its 2,500 US stores – CNBC

**Alibaba (BABA)** boosts stake in investment bank CICC for \$231 million – Reuters

**Amazon's (AMZN)** Chinese unit in merger talks with **NetEase's (NTES)** Kaola – Reuters

**Berry Global (BERY)** gets until March 13 to decide on takeover of packager RPC – Reuters

Elliott takes 6.1% stake in Dutch **Intertrust** – Reuters

**Apple's (AAPL)** Executive Shake-Up Readies Company for Life After iPhone – WSJ

Barron's positive on **EQIX, COR, IRM, INXN, ABB, TER, L**; cautious on **CGC, FDX, UPS, GWW, FAST**

Canada wants support from Speaker Nancy Pelosi to remove steel and aluminum tariffs – Bloomberg

5G rollout could be delayed in Europe, **Ericsson (ERIC)** exec says – FT

**ArcelorMittal (MT)** has offered to purchase Essar Power generation plant in India for INR 48B – Bloomberg

**Intercept (ICPT)** announces results from Phase 3 REGENERATE study, OCA achieves primary endpoint

## Extras

**McDermott (MDR)** with 6,000 May \$8/\$7 bull risk reversals opening at net credits

**Medidata Solutions (MDSO)** with 1,200 March \$80 calls bought to open \$0.90 to \$1

**Go-Daddy (GDDY)** with 1,945 March \$72.5 puts bought \$2.70 to \$2.75 for 2-20 earnings

**Whiting Petro (WLL)** aggressive late day buyers of 2,200 June \$32 calls \$3.10 to \$3.17

**Drop-Box (DBX)** with 2,500 Jan. 2020 \$30/\$25 bear risk reversals opening as April \$30/\$24 adjusted



## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
AAP	Advance Auto	\$1.17	\$1.13	\$2,105.10	\$2,104.97	3.30%	FY In Line
ALLE	Allegion	\$1.22	\$1.22	\$702.40	\$703.17	12.70%	FY Below
ASTE	Astec Industries		\$0.57		\$314.98		
AAWW	Atlas Air Worldwide		\$2.92		\$756.48		
CLR	Continental Resources	\$0.54	\$0.60	\$1,149.29	\$1,170.59	9.80%	
CTB	Cooper Tire	\$0.66	\$0.57	\$770.50	\$773.82	1.80%	
CEQP	Crestwood Equity Partners	\$0.57	\$0.15	\$768.40	\$1,013.55	-38.40%	
ECL	Ecolab		\$1.54		\$3,758.32		
ENBL	Enable Midstream Partners	\$0.38	\$0.27	\$950.00	\$887.67	17.90%	
EXPD	Expeditors Intl		\$0.85		\$2,151.77		
FELE	Franklin Electric		\$0.48		\$309.68		
FDP	Fresh Del Monte	-\$0.43	\$0.12	\$1,045.90		9.70%	
GDI	Gardner Denver	\$0.57	\$0.53	\$712.70	\$726.41	7.20%	
GPC	Genuine Parts		\$1.32		\$4,558.25		
HLX	Helix Energy	-\$0.09	-\$0.08	\$158.36	\$155.42	-3.00%	
HIMX	Himax Tech	\$0.05	\$0.03	\$191.00	\$191.64	5.50%	
HEP	Holly Energy Partners	\$0.45	\$0.45	\$132.80	\$129.81	2.80%	
JELD	JELD-WEN	\$0.38	\$0.35	\$1,091.00	\$1,096.94	11.80%	FY Above
LDOS	Leidos	\$1.10	\$1.07	\$2,647.00	\$2,656.64	5.20%	FY Below
DOOR	Masonite International	\$0.68	\$0.71	\$528.35	\$528.60	3.90%	
MDT	Medtronic	\$1.29	\$1.24	\$7,546.00	\$7,529.83	2.40%	Raises FY
MLCO	Melco Resorts		\$0.23		\$1,371.28		
NHI	National Health	\$1.35	\$1.39	\$74.00	\$75.16	4.10%	
NEO	NeoGenomics	\$0.00	\$0.04	\$76.50	\$71.29	24.60%	FY In Line
NBL	Noble Energy	\$0.12	\$0.14	\$1,197.00	\$1,142.92	-0.30%	
SAGE	SAGE Therapeutics	-\$3.38	-\$2.92	\$0.27			
SQNS	Sequans Communications	-\$0.10	-\$0.08	\$6.10	\$10.39	-46.00%	
SCI	Service Corp	\$0.54	\$0.56	\$820.81	\$843.45	1.00%	FY In Line
SITE	SiteOne Landscape Supply	-\$0.05	-\$0.07	\$474.60	\$473.18	14.20%	
ONCE	Spark Therapeutics		-\$1.30		\$26.76		

SPN	Superior Energy	-\$0.20	-\$0.28	\$539.33	\$514.64	8.50%	
TTS	Tile Shop	-\$0.02	-\$0.01	\$83.90	\$84.04	6.70%	
TSEM	Tower Semi	\$0.41	\$0.42	\$333.59	\$338.08	-6.70%	
RIG	Transocean	-\$0.34	-\$0.24	\$748.00	\$741.18	18.90%	
SLCA	U.S. Silica	-\$0.04	-\$0.07	\$357.38	\$372.00	-15.50%	
USAC	USA Compression Partners	\$0.01	-\$0.05	\$172.00	\$170.78	128.10%	FY In Line
WMT	Wal-Mart	\$1.41	\$1.33	\$137,743.00	\$137,630.00	1.90%	Affirms FY
WBT	Welbilt	\$0.18	\$0.18	\$406.10	\$391.96	11.00%	FY Below
WLK	Westlake Chemical	\$0.95	\$1.68	\$1,955.00	\$2,097.19	-2.70%	
WLKP	Westlake Chemical Partners	\$0.37	\$0.46	\$335.73	\$288.95	8.80%	