

TOP STORIES

- Trump says Will Delay Additional China Tariffs, Seeks Summit as Talks Improve
- BOE's Carney: No Deal Brexit 'Riskiest' from Financial Perspective
- Berkshire Hathaway Posts Q4 Loss, Still Seeking 'Elephant-sized' M&A
- Biotech M&A: Roche Acquires Spark in \$5B Deal, Ipsen Buys Clementia for \$1.31B
- General Electric Sells Biopharma Unit to Danaher for \$21.4B

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2804 (12.75)	11.63
Nasdaq	7133 (44.75)	37.37
Dow	26159 (157)	140.19

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7176.59	-0.03%
DAX	11492.84	0.31%
Nikkei	21528.23	0.48%
Hang Seng	28959.3	0.5%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Chicago Fed	
10:00	Wholesale Trade	
10:30	Dallas Fed Mfg.	

FOREX

EUR/USD	1.1362 (0.19%)
USD/JPY	110.70 (0.02%)
USD/CAD	1.3119 (-0.13%)
GBP/USD	1.3083 (0.25%)

COMMODITY

Oil	57.43 (0.30%)
Natural Gas	2.771 (1.99%)
Gold	1332.8 (-0.01%)
Copper	2.9655 (0.47%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.51 (-6.57%)
Nasdaq	VXN	16.95 (-6.82%)
Oil	OVX	29.85 (-1.03%)
Gold	GVZ	10.02 (-2.62%)

MARKET OUTLOOK

Futures are indicating a higher open for the week with Trump officially extending the tariff deadline among positive talks with China. The two sides have made 'substantial' progress on IP, tech, farm purchases and FX policy. POTUS is targeting a summit in Florida sometime in March or April to conclude the trade war. POTUS is preparing for his second summit with North Korea later this week where denuclearization will be the focus, although not expected to be a big mover. In the UK, PM May delayed a vote on her Brexit plan again as she hopes to keep pressure on parliament to back her and avoid a no deal.

Warren Buffett on CNBC this morning for his semi-annual interview after their letter this weekend. He remains positive on the US while acknowledging that Berkshire continues to seek large M&A – including having one deal fall apart in Q4 – but that valuations and excess from PE have made it hard.

Asian markets were strong overnight with Chinese stocks posting their best single-day gains in over three years. The Shanghai rose 5.6% while the blue-chip CSI300 was up 5.9%. Japanese leading index fell to 97.5 in the last reading, weaker than expected. Singapore CPI cooled in January to 0.4% vs 0.6% forecast. Core retail sales in New Zealand rose 2% in the last quarter, strong vs the forecast for 0.8%.

European markets are mostly higher this morning with the FTSE lagging. Auto shares are higher with the positive tariff talk with parts companies **Valeo** and **Faurecia** leading. Steel and other industrial commodity companies like **Glencore** and **Norsk Hydro** were also strong. **Bank of Ireland** fell 7.5% after cutting its outlook. **Covestro** was down 3.7% after lowering their outlook. **Ipsen** was down 2% after agreeing to buy **Clementia Pharma** for \$1.31B. Chipmaker **AMS** was higher by 6.6% after introducing a new component for 3D sensing. It was a quiet morning for data in the EU. Spanish PPI was 1.8% vs 1.7% prior. Swiss employment fell modestly. The BOE's Carney spoke this morning and said that a 'no deal' Brexit would be the biggest issue for financial stability and continuity.

A number of communications names in focus today with the Mobile World Congress kicking off. Several small partnerships and new products have been announced from **Ericson (ERIC)**, **Xilinx (XLNX)**, **Nokia (NOK)**, **AMS**, **Huawei**, **OnePlus**, **Samsung**, **Verizon (VZ)**, **Sprint (S)**, **Philips (PHG)**, and **Cisco (CSCO)**.

S&P TECHNICALS

Levels: Support 2,725/2,700; Resistance 2,800/2,820



KEY EVENTS TO WATCH

Earnings After the Close: TWOU, ALSN, AWR, ATH, BWXT, CRZO, CORT, DRH, PLOW, ETSY, EVER, GSM, FRGI, FBM, SNHY, HTZ, HNI, IMMU, PODD, XENT, JBT, KAMN, KBR, FRAC, LSI, LDL, MEDP, MOS, NGHC, NLS, OKE, OFIX, PEB, PBPB, QTS, RRC, RP, RCII, SHAK, SYKE, THC;

Conferences: BMO Metals & Mining, JMP Tech Conference, MSCO TMT Conference;

Economic Data on Tuesday: Housing Starts at 8:30, Case-Schiller at 9:00, Consumer Confidence at 10:00, Jerome Powell Speaks at 10:00, Richmond Fed at 10:00;

Earnings Tuesday BMO: AMWD, ATHM, AZO, AVNS, BMO, BNS, BPMC, BCC, LNG, CLVS, CBRL, DSX, DISCA, FCN, HD, SJM, TREE, LGIH, M, MNK, NCI, NXST, PRFT, RLG, SAFM, SPNS, SDRL, SERV, SSTK, TLRA, TRI, BLD, TRXC, TA, TPH, USCR, WP, WYND;

ANALYST ACTION/COMMENTS

Capstead (CMO) upgraded to Neutral at Keefe Bruyette

Brunswick (BC) upgraded to Overweight at JP Morgan

CBOE (CBOE) upgraded to Overweight at JP Morgan

Norwegian Cruiselines (NCLH) upgraded to Outperform at Macquarie

Audentes (BOLD) upgraded to Buy at Chardan

Regenxbio (RGNX) upgraded to Outperform at Evercore

Matson (MATX) upgraded to Overweight at Stephens

Infinera (INFN) upgraded to Neutral at MKM

State Street (STT) downgraded to Sell at Keefe Bruyette

Sociedad (SQM) downgraded to Hold at Deutsche Bank

Allegion (ALLE) downgraded to Neutral at Imperial

Kraft (KHC) downgraded to Neutral at Bernstein

Buenaventura (BVN) downgraded to Hold at MSCO

Vereit (VER) downgraded to Neutral at Baird

CyrusOne (CONE) downgraded to Neutral at CSFB

Imax (IMAX) downgraded to Hold at Canaccord

Wayfair (W) price target raised to \$150 from \$108 at Baird

Salesforce (CRM) partner survey shows 'strong' contribution in Q4, says Jefferies

BioCryst (BCRX) has superior acute HAE treatment option, says Piper Jaffray

MEDIA HIGHLIGHTS

Brazilian judge suspends **Embraer (ERJ)**, **Boeing (BA)** deal talks - Reuters

Kraft Heinz (KHC) reviews options for Maxwell House coffee business - CNBC

LG unveils dual-screen 5G smartphone and touts biometric breakthrough - Reuters

Bayer faces second trial over Roundup cancer risk – Reuters

UAE's ADNOC signs \$4B pipeline investment deal with **BlackRock, KKR** – Reuters

KKR mulling bid for **Asda** after merger with **Sainsbury** falters -Sunday Times

India proposes new e-commerce regulations with focus on data rules (**WMT, AMZN**) – Reuters

Novartis (NVS) gene therapy would be cost effective up to \$900,000, says group – Reuters

Barrick (GOLD) Amasses Stake in **Newmont (NEM)**, May Push for Changes - Bloomberg

Lyft IPO couldkick off cavalcade of high-profile tech IPOs including **Slack, Postmates, Pinterest** – Bloomberg

Home furnishing's company **Laura Ashley** says no bid has been received for the company – Bloomberg

Barron's positive on **WCG, NEE, ENTG, AAPL, MO**; cautious on **Semi's, WIN, NVDA**

Caesars (CZR) in talks with Carl Icahn about installing new CEO – Reuters

STOCK SPECIFIC NEWS OF NOTE

Twitter (TWTR) board member Evan Williams to step down at end of month

Alder Bio (ALDR) submits eptinezumab BLA to FDA

Terex (TEX) to sell Demag Mobile Cranes business to Tadano for \$215M

Berkshire (BRK/B)'s Buffett continues to hope for 'elephant-sized acquisition'

Drugmakers set to testify to Congress on Tuesday (**MRK, AZN, PFE, BMY, JNJ**)

Roche to acquire **Spark Therapeutics (ONCE)** for \$114.50/share, 122% premium

Barrick (GOLD) proposes all-stock deal with **Newmont (NEM)**, sees \$7B in synergies

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PRE-MARKET MOVERS

Moving Higher: ONCE 120%, HUYA 8.6%, GE 8.4%, NIO 5.7%, MOMO 5%, JD 5%

Moving Lower: CRON -3%

INSIDER TRADING (Form 4 Filings)

Buying: INVA, IFF, TDG, IVZ, KMI, SUN

Selling: MODN, JEC, CDNA, ANET, GHDX, CRM, ANET, EXEL, TRMB, RNG, DIS

INSTITUTIONAL MONEY FLOW

Buying: KHC, MS, DWDP, NCLH, STI, FIS, BAC, CZR, UPS, EW, DGX, YUMC, CAT, DXCM, BBT

Selling: AAPL, V, GOOGL, KLAC, PFE, BABA, GOOG, BKNG, INTC, PXD, ORCL, NVDA, HD, IBM

OPTION HIGHLIGHTS (Prior Day)

LyondellBasell (LYB) trading over 10X average calls today with the April \$95 calls bought 4,400X on the morning up to \$0.95 and the March \$92/\$85 bull risk reversal opening 2,300X. LYB had a buyer of 1,450 March \$93 calls earlier this week and over 1,200 January \$90 calls in OI from buyers in December. The June \$95 calls have 1,330 in open interest from buyers in October. Shares are near a big base breakout above \$90 which targets a move back through the 200-EMA to \$100. LYB pulled back to long-term trend support in December and larger channel up targets a move back near \$115. The \$33.44B company trades 7.35X earnings, 0.85X sales, and 13X FCF with a 4.5% yield. LYB expects 2019 to be a transition year as they integrate their Schulman acquisition before returning to 14% EPS growth and 7% revenue growth in 2020. Shares have bounced back from a weak quarter weighed down by delayed customer orders for their Olefins business and unusually weak margins in oil driven by gasoline inventories. They continue to see long-term drivers as the refining market improves in 2019, lower spending on maintenance, and increased polymer demand which they are already seeing in the early months of the year. The Schulman deal also doubles the size of their existing compounding business and makes them a leader in some high-growth markets like packaging, electronics, construction, and agriculture where LYB alone was just in automotive. Analysts have an average target for shares of \$115 with 9 buy ratings, 5 hold ratings, and 1 sell. Short interest is 1.4% and hitting four-year lows in February, down from over 3.5% in late 2017. Deutsche Bank upgraded shares to Buy on 12/17 and RBC upgrading in November with a \$130 PT citing robust EBITDA growth in 2019/2020 from its exposure to APS, IMO2020, I&D, and organic investments. Institutional ownership fell 20.9% last quarter. In December, a director bought \$443K shares of stock at \$88.63.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.66	Fading
CBOE Index Put/Call Ratio	0.96	Low
CBOE Skew Index	121.08	Falling
VIX Curve	Contango	Normal
CNN Fear & Greed Index	69	Greed
NYMO	38.7	Neutral
NYSE Highs/Lows	91.48	Extreme High
McClellan Summation	1252.52	Above 8-EMA
Univ. of Michigan Consumer Sentiment	95.5 (February)	-4.2% Y/Y

SMART MONEY (13g/13d Filings)

POTENTIAL SYMPATHY TRADES

QURE, BLUE, SRPT, PRQR, SGMO (lower) – on ONCE deal

LB – lower on TGT entry into the space

PLCE – on CRI earnings

IPO /SECONDARY MONITOR

Kaleido Biosciences (KLDO) issuing 4.8M shares at \$20-\$22; Clinical-stage healthcare company focusing on leveraging microbiome organ to treat disease

TRADE

WEEKLY TECHNICAL BREAKOUT

DECK:



Deckers (DECK) shares are consolidating in a narrow post-earnings range under \$145 with a measured move to \$152.50 on a breakout. The 20-day MA has caught up to shares and RSI/MACD are both in healthy trends.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Monro Auto (MNRO)

Price: \$78

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	29.4X	2X	3.8X	16.5X	23.3X
Industry Avg.	14.6X	0.6X	2.4X	7.3X	17X

Analysis: Monro Auto (MNRO) is a \$2.59B auto parts company which trades 29.4X earnings, 2X sales, and 29.95X FCF with a 1% yield. MNRO expects 10% EPS growth this year and 20% by FY21 with 6% and 12% revenue growth respectively. MNRO's new CEO is undertaking a new strategic plan and initiatives to improve profitability and growth in their key markets.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

CTB:



Cooper Tires (CTB) shares are starting to roll over from recent highs under \$33 while losing the 100-day MA and trend support from the December lows. Shares have a low-volume gap back to \$31.50 and room further to \$29.50.

PAIR TRADE OF THE WEEK

Industry: Refiners

Long/Short: Long Marathon Petroleum (MPC); Short PBF Energy (PBF)

Analysis: MPC is a strong FCF performer with better geographic coverage than peers and benefitting from stabilization in the cracks. They have strong synergies from the Andeavor deal and more leverage to IMO 2020 than peers. PBF is one of the weaker FCF names in the space and less-quality assets than peers.

SMALL CAP TRADE OF THE WEEK

Movado (MOV) is a \$501M company which focuses on watches under a number of brands including Hugo Boss, Coach, and Concord. Shares trade 11.8X earnings, 0.87X sales, and 8.5% FCF with a 2.3% yield and double-digit EPS growth. MOV has been making some smart deals to get a foothold into the growing millennial market while topline growth continues to improve.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Karyopharm (KPTI)	News Corp (NWSA)	Diplomat (DPLO)
Stamps.com (STMP)	Cardtronics (CATM)	Karyopharm (KPTI)
Summit Materials (SUM)	Stamps.com (STMP)	Nio (NIO)
Sensata (ST)	Farfetch (FTCH)	Amarin (AMRN)
Kraft (KHC)	B&G Foods (BGS)	Pitney Bowes (PBI)
Zillow (Z)	Qurate (QRTEA)	Sogou (SOGO)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Hilton (HGV)	Retrophin (RTRX)	Applied Opto (AAOI)
Summit Materials (SUM)	News Corp (NWSA)	Insmmed (INSM)
Penn National (PENN)	Qiagen (QGEN)	Trade Desk (TTD)
Beazer Homes (BZH)	PDF Solutions (PDFS)	Wayfair (W)
Noble (NBL)	Cardtronics (CATM)	Exact Sciences (EXAS)
Attunity (ATTU)	Vitamin Shop (VSI)	Zillow (Z)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Chico's (CHS)	Acadia (ACHC)	Ascendis (ASND)
Vuzix (VUZI)	Comcast (CMCSA)	Tocagen (TOCA)
Sogou (SOGO)	McDermott (MDR)	Energen (WATT)
Frontier (FTR)	Schlumberger (SLB)	Veracyte (VCYT)
Eli Lilly (LLY)	Health Insurance Inv. (HIIQ)	Overstock (OSTK)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Snap (SNAP)	Intel (INTC)	News Corp (NWSA)
Nio (NIO)	Advanced Micro (AMD)	Cardtronics (CATM)
Roku (ROKU)	Pfizer (PFE)	Karyopharm (KPTI)
Coty (COTY)	Tencent Music (TME)	Stamps.com (STMP)
Caesars (CZR)	Nutanix (NTNX)	Summit Materials (SUM)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Amarin (AMRN)	Ctrip.com (CTRP)	PLNT, March \$60/\$55 put spread vs the \$65 calls sold, 2000X
Valero (VLO)	Colgate (CL)	APC, 6,000 January \$55/\$35 bull risk reversals
Mastercard (MA)	Kellogg (K)	EW, March 1st (W) / March 22nd (W) \$175 put calendar spread
Dropbox (DBX)	Dycom (DY)	HIIQ, March \$40/\$32 put spread bought 1,750X
Sensata (ST)	Carmax (KMX)	GM, April \$38/\$34 put spread bought 5,000X

Media News / Stock Specific

Xilinx (XLNX), Samsung announce expanded collaboration

Ipsen to acquire **Clementia Pharma (CMTA)** for \$25.00 per share in cash upfront

Novartis (NVS) licenses rights to RNA-targeting cardio drug from **Akcea (AKCA)**

Marathon Oil (MRO) signs agreement for divestiture of U.K. business

Microsoft (MSFT) unveils HoloLens 2 mixed-reality headset – CNBC

UnitedHealth (UNH) loses case to Amazon-Berkshire-JPMorgan health venture – NYT

Target (TGT) plans to launch lingerie, sleepwear brands next month – WSJ

Court ruling may reduce liability **J&J (JNJ)** faces in talc lawsuits – Reuters

Global 4Q18 NAND flash market posts 16.8% decrease – Digitimes

AT&T (T), U.S. Bracing for Time Warner Decision as Soon as Tuesday – Bloomberg

Ping An Plans IPO of Fintech Unit at \$8 Billion Value – Bloomberg

Peloton Picks Goldman Sachs, JPMorgan to Lead IPO – Bloomberg

Covestro warns earnings could halve as competition heats up – Reuters

Qualcomm (QCOM) rolls out 5G chips for cars, PCs and home broadband – Reuters

Voce Capital Management believes **Argo Group (ARGO)** CEO is misusing assets – WSJ

AstraZeneca (AZN) reports Phase 3 THEMIS trial met primary endpoint

Inspectors worried over **Vale (VALE)** mine safety but continued to sign audits – WSJ

DowDuPont (DWDP) intends to issue \$2.1B annual dividend payout after separation

ArQule (ARQL) announces publication of clinical data with miransertib

Royal Gold (RGLD) to make \$212M in advance payments to Cupric for Silver Stream

Extras

Cardtronics (CATM) buyer of 6,650 June \$35 puts for \$6.60 as the March \$30 puts close and roll out

Anika Therapeutics (ANIK) with an opening seller of 3,000 June \$30 puts for \$1.60 to \$1.30 into the 17% move lower today after earnings

Under Armour (UAA) late buyers of 8,750 April \$20 puts for \$0.64 to \$0.66

3M Co (MMM) buyers of 2,700 March \$200/\$185 put spreads for \$0.86 late today

Alliance Data (ADS) with 200 June \$180/\$170 strangles bought for \$19.90

Brunswick (BC) buyer of 1,000 March \$45 calls for \$7.60, rolling up the \$40 calls

Casa Systems (CASA) buyer of the April \$12.50 puts for \$2.95, rolling out the March puts

Exact Sciences (EXAS) with 665 January \$90 calls bought mid-day for \$18.20 to \$19

eBay (EBAY) with 10,000 March 1st (W) \$37 calls bought this afternoon as the February 22nd (W) \$36

calls adjusted out

Home Depot (HD) with \$1.8M in January 2021 \$185 calls bought in the afternoon

Kohls (KSS) next week's \$64 puts bought 1,600X up to \$1.35

Nio (NIO) buyers of 2,625 July \$6 calls for \$1.90 to \$2.10 today

Oneok (OKE) with 1,000 January 2021 \$50 puts bought for \$3.30, tied to stock

Regions Financial (RF) with over 33,000 March \$17 calls trading today, cheap premium plays into their analyst day later next week

United (UAL) with 1,000 January 2021 \$75 puts bought today for \$7.30, tied to stock

UPS also seeing 1,000 April \$95 calls bought for \$15 as the \$90 calls roll up

Wix.com (WIX) closed strong and 420 April \$120 calls bought up to \$3.70

Weight Watchers (WTW) late day buyers of 1,000 March \$27.50 puts and 1,985 July \$22.50 puts opening into earnings on 2-26

Wynn (WYNN) also seeing 400 January 2021 \$130 calls bought for nearly \$1.15M in premium

Costco (COST) with 5,650 March \$230 call sold to open for \$0.72 to \$0.70

Itau Unibanco (ITUB) with 8,500 September \$9 puts bought for \$0.70

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	YY Growth	Notes
PLAN	Anaplan		-\$0.18		\$63.71		
AWI	Armstrong World Industries	\$0.80	\$0.83	\$238.90	\$239.46	11.50%	
CRI	Carter Holdings	\$2.84	\$2.56	\$1,086.40	\$1,074.25	5.80%	FY In Line
DORM	Dorman Products	\$1.10	\$1.09	\$260.34	\$249.09	14.30%	FY Light
AG	First Majestic Silver	-\$0.05	-\$0.06	\$74.10	\$116.30	21.10%	
FI	Frank's International	-\$0.06	-\$0.06	\$145.90	\$138.67	23.30%	
STAR	iStar	\$0.53	\$0.31		\$166.47		
KOS	Kosmos Energy	-\$0.09	-\$0.03	\$309.50	\$332.55	65.40%	
MDR	McDermott		\$0.18		\$2,640.75		
NSA	National Storage Affiliates		\$0.36		\$91.12		
TEX	Terex	\$0.51	\$0.47	\$1,233.10	\$1,199.78	15.90%	FY Above
WAB	Wabtec		\$1.02		\$1,103.53		