

TOP STORIES

- Global Markets Quiet as China's Lunar New Year Kicks Off
- Trump Threatens to Bust Border Deal as Shutdown Deadline Nears
- U.K. Construction Industry Nears Stagnation Amid Brexit Worries
- Kashkari: Powell is 'Coming Around' to Idea of Wait and See Approach

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2705.5 (1.25)	-0.03
Nasdaq	6881.5 (3.75)	1.98
Dow	25003 (7)	-14.89

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7037.58	0.25%
DAX	11146.31	-0.31%
Nikkei	20883.77	0.46%
Hang Seng	27990.21	0.21%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:00	Factory Orders	0.3%
7:30	Loretta Mester Speaks	

FOREX

EUR/USD	1.1453 (-0.01%)
USD/JPY	109.85 (0.34%)
USD/CAD	1.3096 (-0.02%)
GBP/USD	1.3062 (-0.16%)

COMMODITY

Oil	55.26 (-0.01%)
Natural Gas	2.712 (-0.80%)
Gold	1315 (-0.54%)
Copper	2.7615 (-0.41%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.14 (-2.5%)
Nasdaq	VXN	19.8 (-2.17%)
Oil	OVX	33.4 (-4.5%)
Gold	GVZ	10.12 (-5.77%)

MARKET OUTLOOK

Futures are indicating a flat open for the morning with much of Asia closed on Holiday. The S&P traded in a narrow range overnight dipping back just above 2,700 around the EU open but rebounding. It will be a quiet day for data to kick off the week with Factory Orders on deck at 10. Expectations are for 0.3% gain, up from the 2.1% decline in October. Shipments have been steadily declining since April while new orders eyeing a rebound.

POTUS gave a wide-ranging interview on CBS on Sunday where he touched on disputes with intelligence leaders, International policy towards Syria/Iran/Afghanistan, and Venezuela. He also reiterated that he is not ruling out another government shutdown as he pushes for border wall funding. The President's **State of the Union** address will be tomorrow evening.

Asian markets were modestly higher this morning, although a quiet session. China's Caixin services PMI was stronger than expected on Saturday at 53.6 vs 53.3. Chinese markets are closed due to the Lunar New Year celebrations although half-day sessions on the HSI slightly positive. South Korea was also closed and Hong Kong closed early. Financials helped lift the Nikkei early while **Sony** fell over 9% after weak earnings. **Honda Motors** also disappointed on earnings.

European markets are mixed this morning after opening modestly higher and fading. Eurozone PPI fell in December to 3% vs 3.2% expected. This is the weakest since July. Sentix investor confidence fell again in February to -3.7 vs -1.1 expected. UK construction PMI fell to 50.6 in January, the weakest reading since April and a wide miss from expectations. **Wirecard** jumped 12.8% after a probe into misconduct found no evidence or wrongdoing. **Julius Baer** fell 5% after missing on earnings. **Ryanair** is down 3% after reporting a modest loss in Q3.

S&P TECHNICALS

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



3942 Advancing	Declining 3240
52.5%	43.72%
158 New High	New Low 34
82.3%	17.17%
5759 Above SMA50	Below 1737
76.8%	23.22%
2503 Above SMA200	Below 4993
33.4%	66.6%

KEY EVENTS TO WATCH

Earnings After the Close: AEIS, GOOG, AIV, AVB, CBT, CVCO, CTRL, FN, GILD, GLUU, HLIT, HIG, KMT, KRC, LM, LEG, LMNX, MESA, MWA, OLN, PCH, QGEN, QTNA, RBC, RTEC, STX, SSD, VSM;

Economic Data tomorrow: International Trade at 8:30 AM, Redbook at 8:55, ISM Non-Manufacturing at 10:00;

Earnings Tomorrow BMO: ACM, AGCO, AME, ARMK, ADM, BMI, BDX, TECH, BP, CTLT, CDK, CNC, CHD, EMR, ENR, ENTG, EL, IT, GPI, HAE, HLNE, HUBB, INGR, JHG, LAZ, LII, LITE, MSGN, OAK, PBI, PINC, RL, ROLL, FLOW, TDG, VIAB, VSH, WDR, WCG;

ANALYST ACTION/COMMENTS

Conoco (COP) upgraded to Buy at Goldman Sachs

Douglas Emmet (DEI) upgraded to Neutral at Barclays

Regency (REG) upgraded to Overweight at Barclays

SL Green (SLG) upgraded to Overweight at Barclays

Aon (AON) upgraded to Buy at MKM Partners

Intercept (ICPT) raised to Strong Buy at Raymond James

Intuit (INTU) upgraded to Neutral at Morgan Stanley

Addus Homecare (ADUS) raised to Outperform at Baird

Schneider (SNDR) upgraded to Buy at BAML

ASML upgraded to Buy at Liberum

BHP Billiton (BHP) downgraded to Sell at JP Morgan

Macrogenics (MGNX) downgraded to Sell at Citi

SAP downgraded to Neutral at BAML

Okta (OKTA) downgraded to Neutral at Keybanc

Rio Tinto (RIO) downgraded to Neutral at JP Morgan

Triton (TRTN) downgraded to Sell at BAML

Thor (THO) downgraded to Neutral at BMO Capital

Keycorp (KEY), Regions Financial (RF) downgraded to Neutral at Wedbush

Gildan (GIL) downgraded to Hold at Desjardins

Yelp (YELP) initiated Buy at Goldman, \$42 PT

ANGI Home Services (ANGI) initiated Buy at Goldman

Match (MTCH), Shutterfly (SFLY) initiated Sell at Goldman

MEDIA HIGHLIGHTS

KLA-Tencor (KLAC) ramping efforts to get clearance on Orbotech deal - Capitol Forum

Spotify (SPOT) said to be in talks to buy Gimlet for \$200M, first foray into content - NYTimes

Budweiser (BUD) Brewer Picks JPMorgan, Morgan Stanley for Asia IPO – Bloomberg

Starboard Value Is Said to Take Stake in **Bristol-Myers (BMY)** – Bloomberg

KKR exploring "full or partial" sale of Hitachi Kokusai - FT

General Motors (GM) says in talks to invest \$2.73B in Brazil till 2024 – Reuters

SoftBank's Vision Fund in talks to invest \$1.5B in Chinese used car platform – Reuters

CBS Corp (CBS) narrows list of potential CEOs to replace Moonves - NY Post

Starz (LGF/A) CEO Chris Albrecht plans to depart - Variety

Starboard makes investment in **Papa John's (PZZA)**, Smith named chairman – WSJ

Sony (SNE) Plunges on Weak Growth Prospects - Bloomberg

Panasonic cuts outlook on slowing China demand – Reuters

Oslo Bors says **Nasdaq's (NDAQ)** bid superior to **Euronext's** – Reuters

Palo Alto (PANW) in talks to buy information security firm **Demisto** – Reuters

Grubhub (GRUB) Still the Leader in Online Food Delivery, Despite Share Slump – WSJ

STOCK SPECIFIC NEWS OF NOTE

Alkermes (ALKS) receives CRL from FDA for ALKS 5461 New Drug Application

Evolus (EOLS) receives FDA approval for Jeuveau

Goldman Sachs (GS) says 1MDB scandal could affect pay for Blankfein, Solomon

Regeneron (REGN), Sanofi (SNY) announce CHMP positive opinion for Praluent Injection

Halozyne (HALO), Argenx (ARGX) enter collaboration agreement for Enhance

Ultimate Software (ULTI) agrees to be acquired by investor group for \$331.50/share cash

PRE-MARKET MOVERS**Moving Higher:** EOLS 20.7%, PZZA 5%, BMY 3%**Moving Lower:** CELG -2.3%**INSIDER TRADING (Form 4 Filings)****Buying:** ABT, ETFC, BIIB, KMI**Selling:** ARRY, SRPT, AERI, EXEL, PFE, GHDX, FB, BLK, SIVB, HCA, EXP, GNRC, ABT, BEAT, SQ**INSTITUTIONAL MONEY FLOW****Buying:** GOOG, UNH, BAC, MO, WMT, FE, NKE, MCD, PM, CVS, SBUX, SPG, DIS, HLT, IBM**Selling:** CZR, INTC, ADP, AGN, GILD, XLNX, REGN, ECL, CME, ADSK, ALL, CCTX**OPTION HIGHLIGHTS (Prior Day)**

DR Horton (DHI) with 8,000 March \$39 calls bought in the opening ten minutes of trade today, paying \$1.60 to \$1.65, and follows buyers late yesterday of 5,000 March \$40 calls and 3,000 August \$40 calls. The May \$42 calls were also bought 1,500X, adding to buys from 1/24. DHI has seen bullish flow recently in the May \$40 calls as well. Shares are back near the 200-EMA at \$39.50 and moving out of a multi-month base above \$40 which targets the August highs near \$47. Longer-term, DHI has pulled back to the 50% Fibonacci of the rally from the 2014 lows and a move above key downtrend resistance at \$42.50 can see a significant trend shift. On the weekly, MACD has curled higher and bullish crossover last week while RSI is back above 50. The \$14.86B homebuilder trades 8.5X earnings, 0.92X sales, and 10X cash with a 1.56% yield. DHI expects 6-8% revenue growth over the next three years. DHI is coming off a strong quarter with net sales up 3% and demand remaining healthy given supply issues continuing across many of their key markets, especially on the entry-level and mid-priced end. DHI expects to pull back on promotional incentives as well in 2019 given the steady rise in demand. November new home sales hit a 9-month high while October's was revised higher as well, strength despite fears of the rising rate environment. Analysts have an average target for shares of \$46 with 12 buy ratings and 4 hold ratings. Mizuho upgrading to Buy on 1/23 with a \$45 PT. The firm thinks DHI has one of the most diversified offerings by price-point and a healthy balance sheet which can help them weather any near-term headwinds. Buckingham started coverage at Buy on 1/11 calling DHI the 'entry-level leader' and deserves a premium to peers given its established focus on affordable product and conservative land positioning. Institutional ownership fell 2.65% last quarter. Short interest is 3.3%.

AFTER HOURS MOVERS**Gainers:****Losers:****MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.69	Declining
CBOE Index Put/Call Ratio	1.73	Highest Since 9/3
CBOE Skew Index	126.03	Low but off of extremes
VIX Curve	Contango	Normal
CNN Fear & Greed Index	61	Greed
NYMO	72.16	Elevated
NYSE Highs/Lows	72.46	Highest Since September
McClellan Summation	670.23	Above 8-EMA
Univ. of Michigan Consumer Sentiment	91.2 (January)	-4.7% Y/Y

SMART MONEY (13g/13d Filings)

Victory Capital takes 5.91% stake in **AutoNation (AN)**; 5.79% stake in **Carter's (CRI)**; 6.64% stake in **Asbury Automotive (ASB)**

Tenzing Global reports 5.6% stake in **Brightcove (BCOV)**, may seek talks

POTENTIAL SYMPATHY TRADES

BNFT, CSOD, PAYC, PCTY, WDAY, CDAY – on ULTI takeover deal

IPO /SECONDARY MONITOR

Alector (ALEC) issuing 9.3M shares at \$18-\$20; Clinical stage biopharma focused on immuno-oncology for treatment of neuro-degeneration

Gossamer Bio (GOSS) issuing 14.4M shares at \$16; Clinical stage biopharma focused on developing therapeutics for immunology, inflammation and oncology

Harpoon Therapeutics (HARP) issuing 5.4M shares at \$13-\$15; Clinical stage immunotherapy company developing T cell "engagers" to treat cancer patients

TRADE

WEEKLY TECHNICAL BREAKOUT

ABT:



Abbott Labs (ABT) shares are consolidating in a big weekly bull flag under \$73.50 with a breakout measuring out to \$80. RSI on the weekly is back above 50 and MACD with a bullish crossover starting last week.

FUNDAMENTAL TRADE OF THE WEEK

Stock: United Rentals (URI)

Price: \$126

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	9.6X	1.3X	3X	5.6X	18.8X
Industry Avg.	7.8X	0.9X	1.6X	5.0X	--

Analysis: URI is a \$10.18B rental and leasing company which trades cheap at 6X earnings and 1.27X sales. The company has been active in M&A recently as they consolidate a fragmented industry and benefitting from better equipment rental trends vs construction spend. URI is coming off a strong quarter with margin improvement, 18% growth in revenue, and record ROIC.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

LB:



L Brands (LB) shares are consolidating in a weekly bear flag under the 8-week EMA and nearing a trend break which targets the recent lows. A move under \$24 has room to \$20. MACD on the daily is back at zero and rolling over, RSI also weakening back at 50.

PAIR TRADE OF THE WEEK

Industry: Outdoor Activities

Long/Short: Long Yeti (YETI) Short Camping World (CWH)

Analysis: YETI is a \$1.43B growing young company which has seen a nearly 5X rise in sales since 2015. They have long-term drivers from product and International expansion. CWH is a \$1.24B company but debt-heavy balance sheet after building through M&A and faces headwinds from higher RV inventories.

SMALL CAP TRADE OF THE WEEK

PAM Transport (PTSI) is a \$297M trucking logistics company which focuses on irregular route OTR trucking. PTSI trades 12.79X earnings, 0.56X sales, and 10.2X cash with 30% EPS growth. PTSI has a number of contracts expiring in late 2018/2019 at older rates which they expect to re-sign above to help battle rising costs.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
National Oilwell (NOV)	National Oilwell (NOV)	Genworth (GNW)
LPL Financial (LPLA)	Netscout (NTCT)	Skechers (SKX)
NYC Bancorp (NYCB)	Illinois Toolworks (ITW)	Quotient (QTNT)
Biohaven (BHVN)	Marriott (MAR)	Intercept (ICPT)
Ralph Lauren (RL)	Deckers (DECK)	Ziopharm (ZIOP)
Wyndham (WH)	Tanger Factory (SKT)	Attunity (ATTU)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
K-Force (KFRC)	Netscout (NTCT)	Symantec (SYMC)
Manchester U (MANU)	Cooper Tire (CTB)	Evolus (EOLS)
Grace (GRA)	SLM Corp (SLM)	Secureworks (SCWX)
Madrigal (MDGL)	Reliance Steel (RS)	Starbucks (SBUX)
Green Plains (GPRE)	Marriott Vacations (VAC)	Amicus (FOLD)
Lincoln National (LNC)	Kornit (KRNT)	Sony (SNE)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Dean Foods (DF)	EOG Resources (EOG)	Macrogenics (MGNX)
Green Plains (GPRE)	Go Pro (GPRO)	Intercept (ICPT)
Ziopharm (ZIOP)	Juniper (JNPR)	Solid Bio (SLDB)
Infinera (INFN)	Ralph Lauren (RL)	Ascendis (ASND)
Overstock (OSTK)	Novavax (NVAX)	Tocagen (TOCA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Intel (INTC)	National Oilwell (NOV)	National Oilwell (NOV)
Snap (SNAP)	Bank of America (BAC)	Netscout (NTCT)
CVS Health (CVS)	Apple (AAPL)	Illinois Toolworks (ITW)
Nokia (NOK)	Micron (MU)	Biohaven (BHVN)
Cronos (CRON)	Wells Fargo (WFC)	Ralph Lauren (RL)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Symantec (SYMC)	Exxon (XOM)	LVS, 3,800 June \$60/\$70 call spreads
Mohawk (MHK)	American Tower (AMT)	TIF, March \$85/\$80 put spread today 1,200X2,400
EOG Resources (EOG)	William Sonoma (WSM)	DXCM, March \$145/\$160 call spread bought 750X
Cisco (CSCO)	ON Semi (ON)	TWLO, February \$105/\$95 put spread bought 1,000X
Grace (GRA)	Applied Materials (AMAT)	GRUB, February \$81.50/\$88 call spread bought 1,000X2,000

News / Media Notes

Barron's positive on **SYK, MSFT, APTV, SAVE, BUD, BLL, ABB, GLW, MRK/REGN**; cautious on **FIVE**

Emirates considering new **Boeing (BA)** 777x order – Bloomberg

GSMA discussing the possibility that **Huawei** might be excluded from markets – Reuters

WHO recommends restrictions on cannabis be lessened (**TLRY, CGC, NBEV**) – Bloomberg

Investors looking toward turnaround plan at **Ford Motor (F)** – WSJ

JP Morgan (JPM) plans to do more business with foreign multinationals and in e-commerce – FT

Payday lending regulation rollback could be delayed (**EZPW, FCFS**) – NY Post

Merck (MRK) CHMP adopts positive opinion for KEYTRUDA combination

Eli Lilly (LLY), Incyte (INCY) announce baricitinib meets primary endpoint in BREEZE studies

Extras

Lancaster Colony (LANC) the March \$160/\$170 call spread opens 2,000X on the day for \$3.60

Illinois Toolworks (ITW) buyers active late for 3,400 March \$120 puts for \$0.55

Carnival Cruise (CCL) buyers of 1,650 July \$60 calls late for \$2.50 to \$2.55

PluralSight (PS) buyer of 1,000 February \$30 calls today for \$1.73, rolling up some of the \$25 calls bought recently which close \$5.23

Ralph Lauren (RL) earnings on 2-5 and late day trade bought the February 8th (W) \$117/\$125/\$130 call butterfly 5,000X10,000 with the February \$106 puts for \$1.30 5,000X

Solar Edge (SEDG) late buyers of 2,300 February \$41 puts for \$1.15 to \$1.20

Horizon (HZNP) the April \$23/\$22 strangle bought 1,500X for \$3.58

Dollar Tree (DLTR) with 1,000 May \$105 calls bought to open \$2.65 to \$2.80

Cooper Tire (CTB) buyer of 1,250 May \$33 puts for \$2.08

Electronic Arts (EA) earnings on 2-5 and spread this afternoon buys the February 8th (W) \$92.50/\$100 call spread and sells the \$82.50 puts, 1000X, for \$1.30

Stifel (SF) afternoon buyers of 990 April \$50 puts for \$2.00 to \$2.10

Tactile (TCMD) buyer of 500 July \$75 calls for \$5.60 today in a stock replacement

TAL Education (TAL) with 1,000 ITM May \$35 puts sold to open today for \$5

Biohaven (BVHN) also seeing 590 February \$40 calls bought late for \$2.80 to \$2.85

Accelerate Diagnostics (AXDX) with 1,000 March \$17.50 calls bought for \$2.40 as the February \$12.50 calls close and roll out

Amgen (AMGN) late buyers of 500 June \$190 calls for \$8.00 to \$8.20 to open, a lot of M&A talk this week surrounding the company making a deal

SYNNEX (SNX) stock replacement sold 200 December \$115 puts to open \$23.70

Regeneron (REGN) with 250 June \$430 puts bought to open for \$32.50

Corning (GLW) afternoon buys of 1,000 August \$33 calls \$2.69 to \$2.73

Walgreen (WBA) afternoon buyer of 860 July \$72.5 calls for \$4.35

Edward's (EW) trade bought 600 March 22nd (W) \$165 puts \$5.80 tied to stock, protection for some key device catalysts

8X8 (EGHT) with 3,850 March \$17.5 calls being bought \$1 to \$1.10 with shares rebounding from earning weakness

Omega Health (OHI) block of 10,000 Jan. 2021 far OTM 420 puts opened for \$0.60

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
AMG	Affiliated Managers		\$3.51		\$568.99		
ALXN	Alexion Pharma	\$2.14	\$1.84	\$1,128.50	\$1,059.28	24.10%	FY Above
BZH	Beazer Homes		\$0.14		\$412.10		
CLX	Clorox	\$1.40	\$1.31	\$1,473.00	\$1,474.96	4.00%	FY In Line
MDP	Meredith		\$1.29		\$859.28		
MTSC	MTS Systems	\$0.59	\$0.54	\$203.20	\$206.78	4.60%	Affirms FY
SAIA	Saia	\$0.97	\$0.88	\$406.80	\$396.82	12.90%	
SY Y	Sysco		\$0.73		\$14,748.53		