

## TOP STORIES

- China Resisting Presidential Summit Until Two Sides Have Firm Deal in Place
- Brexit Talks Appear Deadlocked into Parliamentary Vote Tomorrow
- Fed's Powell: POTUS had No Influence Over Fed Decisions to Slow Rate Hikes
- Kudlow Brushes Off Slowdown Calls, Says 3% Growth Can Prevail
- Japan's Machine Tool Orders Drop to Lowest Since 2009
- China Grounds Boeing 737 Max Planes After Ethiopia Crash Raises Questions

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2755.25 (3.25)</b>	<b>6.88</b>
<b>Nasdaq</b>	<b>7071 (17.25)</b>	<b>23.31</b>
<b>Dow</b>	<b>25378 (-150)</b>	<b>-100.24</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7158.22</b>	<b>0.76%</b>
<b>DAX</b>	<b>11486.1</b>	<b>0.25%</b>
<b>Nikkei</b>	<b>21125.09</b>	<b>0.47%</b>
<b>Hang Seng</b>	<b>28503.3</b>	<b>0.97%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Retail Sales</b>	<b>0.0%</b>
<b>10:00</b>	<b>Business Inventories</b>	<b>0.6%</b>

## FOREX

<b>EUR/USD</b>	<b>1.1245 (0.06%)</b>
<b>USD/JPY</b>	<b>111.22 (0.06%)</b>
<b>USD/CAD</b>	<b>1.3417 (0.03%)</b>
<b>GBP/USD</b>	<b>1.2997 (-0.14%)</b>
<b>USD</b>	<b>97.31 (0.04%)</b>

## COMMODITY

<b>Oil</b>	<b>56.55 (0.86%)</b>
<b>Natural Gas</b>	<b>2.797 (-2.37%)</b>
<b>Gold</b>	<b>1296 (-0.25%)</b>
<b>Copper</b>	<b>2.9035 (0.35%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>16.05 (-3.25%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.12 (-2.40%)</b>
<b>Oil</b>	<b>OVX</b>	<b>29.77 (-2.17%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>10.51 (1.45%)</b>

## MARKET OUTLOOK

Futures are indicating a mixed open this morning with the Dow weighed down by Boeing which is under pressure following a second 737 MAX crash this weekend. China, among others, have grounded the plane for safety testing after the crash. POTUS is expected to propose a budget today that wouldn't balance for 15 years. The deal has little chance of passing Congress and calls for cuts in federal agency funding while boosting defense spending and setting aside \$8.6B for a border wall. Top Chinese officials have pushed back against US trade demands. The officials have said that enforcement of a deal must be fair and equal.

Jerome Powell was featured on 60 Minutes last night, a rare media appearance. The Chairman said that POTUS's criticisms of the Fed have played no role in their decisions to slow the pace of rate hikes. He also reiterated that POTUS has no legal authority to fire him, some which has been debated. Powell fully intends to serve his four-year term. He also continued to raise concerns over the national debt.

Asian markets are modestly higher to start the week with the Nikkei rebounding after four days of losses. Japanese machine tool orders fell 29.3% in the latest read, the worst since 2009. China new loans fell in the month of February while outstanding loan growth remained at 13.4%. **Hitachi Chemical** was limit up after reports that Hitachi was considering a sale of its stake for \$2.7B. Restaurant **Torikizoku** fell 4.5% after missing forecasts.

European markets are holding up well in the green this morning despite more weak data this morning. Talks of a potential merger between **Deutsche Bank** and **Commerzbank** are lifting sentiment in financials. Engine-maker **Safran** is down after the crash of a Boeing 737 MAX. **Ryanair**, the largest operator of Boeing planes in Europe, fell 1%. **Pandora A/S** fell 5% after a downgrade this morning amid concerns of a slowdown in China. German industrial production fell nearly 1% in January, worse than forecasts which called for a 0.5% rise.

## S&P TECHNICALS

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



2941 Advancing	Declining 4216
38.9%	55.7%
100 New High	New Low 112
47.2%	52.8%
5329 Above SMA50	Below 2220
70.6%	29.4%
2976 Above SMA200	Below 4573
39.4%	60.6%

**KEY EVENTS TO WATCH**

**Earnings AMC:** ADT, COUP, PETQ, SFIX;

**Analyst Days:** BLMN, DAN;

**Conferences:** Deutsche Bank TMT, Cowen Healthcare, Seaport Global Chemicals;

**Economic Data on Tuesday:** NFIB Small Business Optimism at 6:00 AM, CPI at 8:30, Redbook at 8:55;

**Earnings Tuesday BMO:** DKS, IPI, MOMO;

**ANALYST ACTION/COMMENTS**

**Fire-Eye (FEYE)** upgraded to Overweight at JP Morgan

**Tabula Rasa (TRHC)** upgraded to Strong Buy at First Analysis, \$84 PT

**Potlatch (PCH)** upgraded to Outperform at BMO

**Weyerhaeuser (WY)** upgraded to Outperform at BMO

**Kilroy (KRC)** upgraded to Buy at Goldman, \$81 PT

**China Mobile (CHL)** upgraded to Buy at Jefferies

**Spirit (SAVE)** upgraded to Overweight at Barclays

**Facebook (FB)** upgraded to Buy at Nomura

**Apple (AAPL)** upgraded to Buy at BAML

**PGT (PGTI)** upgraded to Overweight at Keybank

**Infinera (INFN)** upgraded to Buy at MKM

**Encana (ECA)** upgraded to Outperform at Cowen

**Rapid7 (RPD)** upgraded to Outperform at Macquarie

**Nutnanix (NTNX)** upgraded to Buy at Jefferies

**Orion Engineered (OEC)** downgraded to Neutral at JP Morgan, \$20 PT

**Oracle (ORCL)** downgraded to Reduce at Nomura

**Jet Blue (JBLU)** downgraded to Neutral at Barclays

**Zumiez (ZUMZ)** downgraded to Hold at Pivotal

**Greenbrier (GBX), Trinity (TRN)** downgraded to Neutral at Keybank

**Nucor (NUE)** downgraded to Neutral at Longbow

Goldman starting coverage in oil services with **BHGE** at Conviction Buy, **HAL, SLB, RIG, FTI, NINE, PUMP** at Buy and **DO, RES** at Sell

**MEDIA HIGHLIGHTS**

**Tesla (TSLA)** freezes store closures, layoffs - Electrek

**Deutsche Bank (DB), Commerzbank** tentatively talk about merger - Reuters

**Care.com (CRCM)** does not verify credentials of recommended caregivers – WSJ

Warren Says Breaking Up Tech Giants Will Keep Market Competitive (**FB, GOOG**) – Bloomberg

**BP, Exxon (XOM)** to help advance Alaska LNG export project – Reuters

**HNA Group** to sell stake in Hong Kong firm to **Blackstone (BX)** for \$894M – Reuters

**Boeing's (BA)** new 737 MAX jet faces questions after second crash - NY Times; **BA** says no need to issue new guidance on 737 MAX 8; China orders airlines to ground all 737 MAX 8 aircraft after crash - Reuters

**Occidental (OXY)** emerges as one of biggest exporters of U.S. shale oil – Reuters

A White House run from Howard Schultz could cause risks for **Starbucks (SBUX)** – NY Times

Barron's positive on **DAL, RIG, ESV, FMC, FTI, SLB, RDC, NFLX, COT, LEN, INTC**; cautious **AAPL, TOL, PHM, KBH, DLTR**

**Intel (INTC)** CPU shortages to worsen in 2Q19 – Digitimes

**OneSavings Bank** in Advanced Talks to Buy **Charter Court Financial** – Bloomberg

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**STOCK SPECIFIC NEWS OF NOTE**

**Medtronic (MDT)** board authorizes \$6B stock buyback

**XPO Logistics (XPO)** to join S&P 400; **Big Lots (BIG)** to join S&P 600

**Takeda (TAK)** announces results from Phase 3b head-to-head VARSITY study

**Disney's (DIS)** 'Captain Marvel' wins big this weekend with \$455M in global sales

**Roche** announces accelerated FDA approval of Tecentriq/chemotherapy combo

**Tesla (TSLA)** backtracks on half of store closures, to raise prices by 3% globally

**Nvidia (NVDA)** to acquire **Mellanox (MLNX)** for \$6.9B or \$125/share in cash

**PRE-MARKET MOVERS**

**Moving Higher:** PTE 19%, MLNX 8.7%, HUYA 3.8%, IQ 2.7%, NTNX 2.7%, DB 2.6%, JD 2.5%, AAPL 1.5%

**Moving Lower:** BA -8.5%, NIO -2.5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** DAL, RILY, TFX, PJT, ECL

**Selling:** GPS, BMRN, WING, QLYS, VCRA, RNG, AMGN, CZR, HIV, FGEN, CRM, ECL, HII

**INSTITUTIONAL MONEY FLOW**

**Buying:** BMY, BA, NFLX, PFE, PG, PEP, ABBV, EOG, JNJ, MET, AVGO, SBUX, CAT, UNP

**Selling:** AAPL, MSFT, JPM, AGN, NVDA, GS, MMM, MU, INTU, WBA, COST, BAC, ISRG, BIO, SYK

**OPTION HIGHLIGHTS (Prior Day)**

**Hershey (HSY)** with buyers of more than 2,600 May \$100 puts today for \$2.85 to \$3.10 and follows 5,000 OTM May \$100 puts bought yesterday to open. HSY has seen over 1,500 April \$110 puts bought in late February and the August \$110 and \$105 puts with some buyers recently. Shares have outperformed recently and trading up to their highest level since January 2018 and near the high-end of a rising wedge from the July lows which has support at \$107.50. HSY has sizable volume support at that level and under \$105 has a big gap back to \$100. Shares have formed a series of lower highs since May 2017. The \$23B company trades 18.9X earnings, 3X sales, and 39.3X cash, slightly rich with 5% EPS growth and 1.5% revenue growth expected. HSY has been focusing on investments in their core sweets business while spending on new brands to diversify their products across Krave jerky, Paqui tortilla chips, and SkinnyPop popcorn. They've seen weaker than expected Y/Y growth in the latter brands with Krave sales down double-digits in 2018. Analysts have an average target for shares of \$100 with 1 buy rating, 9 hold ratings, and 3 sell ratings. BAML upgraded shares to Buy on 12/19 citing their strong balance sheet and cash flows. CSFB upgrading to Neutral in October citing stabilizing trends in sales, investments in e-commerce, and their opportunity in snacks. They worry, however, that the consumer shift towards their products online will be slower than anticipated. Short interest is 2.2% but up from 1.5% in late January. Institutional ownership fell 1.25% last quarter but hedge funds net buyers, up 7%.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.75	Multi-Week Highs
CBOE Index Put/Call Ratio	0.96	Low
CBOE Skew Index	125.73	Low
VIX Curve	Backwardation	Negative
CNN Fear & Greed Index	55	Neutral
NYMO	-66.36	Oversold
NYSE Highs/Lows	78.25	Multi-week Lows
McClellan Summation	1072.09	Below 8-EMA
Univ. of Michigan Consumer Sentiment	95.5 (February)	-4.2% Y/Y

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

**POTENTIAL SYMPATHY TRADES**

**TGI, SPR** – on BA weakness

**JNPR, ANET, EXTR, CSCO** – on MLNX deal

**IPO/SECONDARY MONITOR**

Nothing scheduled at this time

**Lyft (LYFT)** expected the week of March 18<sup>th</sup>; One of the largest ride sharing networks in the US and Canada

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**FB:**



**Facebook (FB)** shares have held up well during the recent market pullback and consolidating under \$170. A breakout targets \$180 while the 200-EMA gives a strong level to trade against for a longer-term move.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Avalara (AVLR)

**Price:** \$52.25

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	--	7.4X	33X	--	--
<b>Industry Avg.</b>	--	7.1X	8.9X	36.2X	49X

**Analysis:** AVLR is a \$3.6B cloud-based software company which focuses on tax compliance for small and medium businesses. Shares trade 12.8X EV/sales and 25.5X cash with 20-25% revenue growth. AVLR is focused on adding customers as changes in the tax policy drive more businesses to look at automation. SCOTUS's recent Wayfair decision also is a driver for more customers to look at automation and AVLR's software.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**BTU:**



**Peabody (BTU)** shares are consolidating a bear flag under cloud resistance and the 50-EMA. A move lower targets the November/December support and has a long-term measured target to \$25.

## PAIR TRADE OF THE WEEK

**Industry:** Media

**Long/Short:** Long Netflix (NFLX); Short Dish Network (DISH)

**Analysis:** NFLX is a leader in the space with the stickiest original content and strong pricing power. They continue to expand into new markets with India a major focus. DISH continues to face headwinds in sub trends. They also continue to face balance sheet issues with sizable debt and likely needs to increase wireless spend.

## SMALL CAP TRADE OF THE WEEK

**Enanta Pharma (ENTA)** is a \$1.9B biotech which trades 8X sales and 5.5X cash with limited debt. ENTA develops small molecule drugs for the treatment of viral infections and liver diseases with trials in respiratory syncytial virus (RSV), NASH, primary biliary cholangitis (PBC), and hep B. They have Phase 2 data due mid-year and NASH data in Q3 which are key drivers for the stock.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
C&J Energy (CJ)	El Pollo Loco (LOCO)	Tailored Brands (TLRD)
Abb Ltd (ABB)	Zumiez (ZUMZ)	WageWorks (WAGE)
Ship Finance (SFL)	Citrix (CTXS)	Zumiez (ZUMZ)
JB Hunt (JBHT)	National Beverage (FIZZ)	Dermira (DERM)
Iamgold (IAG)	Sanofi (SNY)	Tilray (TLRY)
LivePerson (LPSN)	Commscope (COMM)	Infinera (INFN)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
TransUnion (TRU)	Triumph Group (TGI)	Akorn (AKRX)
Moderna (MRNA)	CIT Group (CIT)	ArQule (ARQL)
Akorn (AKRX)	Franks (FI)	American Outdoor (AOBC)
C&J Energy (CJ)	Commscope (COMM)	Big Lots (BIG)
Kratos (KTOS)	BorgWarner (BWA)	Novavax (NVAX)
Mirati (MRTX)	Allegion (ALLE)	Camping World (CWH)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Everi (EVRI)	Altaba (AABA)	Tocagen (TOCA)
Mirati (MRTX)	Vulcan Materials (VMC)	Assembly Bio (ASMB)
Callon Petroleum (CPE)	Credit Suisse (CS)	Athenex (ATNX)
Eli Lilly (LLY)	Boston Sci (BSX)	Concert Pharma (CNCE)
Nabors (NBR)	Macy's (M)	Intra-Cellular (ITCI)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Eli Lilly (LLY)	Nio (NIO)	El Pollo Loco (LOCO)
Ford Motor (F)	AT&T (T)	Zumiez (ZUMZ)
JD.com (JD)	Merck (MRK)	Citrix (CTXS)
Facebook (FB)	Applied Materials (AMAT)	C&J Energy (CJ)
Cliff's (CLF)	Ctrip.com (CTRP)	Abb Ltd (ABB)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Lennar (LEN)	Dermira (DERM)	AAP, 500 April \$155/\$170 call spreads
JD.com (JD)	Boeing (BA)	APC, January \$45/\$55 call spread bought 2,000X4,000
Edwards (EW)	United (UAL)	IONS, 1,000 July \$65/\$50 put spreads
Yandex (YNDX)	NXP Semi (NXPI)	CZR, 5,000 May \$9/\$7 bull risk reversals
Dollar Tree (DLTR)	Gap (GPS)	

## News and Media

**Newcrest** Adds \$806.5M Mine as Gold M&A Spree Rolls On – Bloomberg

**Integra (IART)** gets FDA warning letter for Boston plant – Reuters

China's **CNOOC** explores opening up LNG terminals under reform pressure – Reuters

**Tesla (TSLA)** in talks with China's CATL for rechargeable batteries – Bloomberg

**Alibaba (BABA)** invests \$693M for stake in Chinese courier STO Express – Reuters

**GCP Applied Technologies (GCP)** nears board deal with Starboard – Reuters

MSCI, HKEX to launch futures contracts on China share index – Reuters

**Helen of Troy (HELE)** looking to sell its beauty business, could fetch \$300M – WSJ

**Elanco (ELAN)** completes separation from Eli Lilly

**International Game (IGT)** signs 10-year contract with TIPOS in Slovakia

**Taylor Morrison (TMHC)** increases buyback by up to \$100M

**Hill-Rom (HRC)** to acquire Voalte for \$180M

**Aurora Cannabis (ACB)** begins cannabis oil sales to German pharmacies

**Allergan (AGN)** announces FDA approval of NDA for ubrogepant

FDA closes **PolarityTE (PTE)** inspection with no action taken

## Extras

**Oil E&P (XOP)** with over 142,500 September \$25 puts opening as the June \$28 puts adjust

**Biotech (XBI)** buyer of 3,500 March 29<sup>th</sup> (W) \$85 puts for \$2.25 today as some April puts adjust

**Gold Miners (GDX)** buyers of 4,000 July \$20 calls for \$2.89 to \$2.90

**S&P 500 (SPY)** the December \$320/\$305 put spread bought nearly 2,000X for \$10.65; the April 3<sup>rd</sup> (W) \$273/\$260 put spread bought 3,000X for \$3

**Nasdaq (QQQ)** with 10,000 September \$170 calls bought for \$10.04; the June 2020 \$163/\$110 put spread bought 11,000X for \$9.62 while the January \$163/\$115 put spread opening 11,000X for \$7.47

**Merck (MRK)** buyer of 10,000 April \$80 puts for \$2.30, tied to stock

**Apple (AAPL)** buyers of 4,500 May \$160 puts for \$3.45 to \$3.60 as some April puts adjust

**ConAgra (CAG)** buyers of 950 deep ITM January 2021 \$13 calls from \$9.70 to \$10.00

**Zumiez (ZUMZ)** morning buyers of 3,300 March \$25 puts for \$1.60 to \$1.90 into 3-14 earnings

**Zillow (Z)** also seeing 3,000 January \$60/\$70 call spreads bought for \$1 today

**Visa (V)** with opening sales of 6,600 April \$155 calls from \$0.64 to \$0.61 today

**Golar LNG (GLNG)** buyer of 2,300 January 2021 OTM \$35 calls for \$1.50 to \$1.55 as some January 2020 calls bought back in April 2018 adjust



**Marathon (MPC)** closed strong with 2,000 April \$60 calls bought \$1.35 to \$1.37

**Foot Locker (FL)** 1,500 March 29<sup>th</sup> (W) \$60 calls bought up to \$1.95, targeting the 3-28 Analyst Day and could move with Nike's earnings 3-21

**Grub Hub (GRUB)** buyers of 1,000 March \$73 calls late for \$2.00 to \$2.15

**Bed Bath & Beyond (BBY)** buyers of 3,000 March \$15.50 puts for \$0.81 to \$0.84

**Welltower (WELL)** buyers of the December \$75 calls for \$4.50 to \$4.60, 500X

**Cabot Oil (COG)** late buyers of 7,000 March \$25 calls for \$0.29

**Interactive Brokers (IBKR)** weak setup and today 444 September \$50 puts bought for \$3.40