

TOP STORIES

- US Markets Mixed Ahead of Inflation Data, Key Brexit Vote
- Japan's Manufacturers Say Business Conditions the Worst in Years
- UK AG Cox: Risk of UK Being Stuck in Backstop Remains
- NFIB Small Business Optimism Rebounds After Five Months of Declines
- Oil Continues Higher as PDVSA Output Tanks

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2788.5 (-2.5)	-1.6
Nasdaq	7192.5 (0.25)	-0.52
Dow	25620 (-70)	-53.88

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7131.76	0.02%
DAX	11555.54	0.10%
Nikkei	21503.69	1.79%
Hang Seng	28920.87	1.46%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	CPI	0.2%
8:45	Lael Brainard Speaks	
8:55	Redbook	

FOREX

EUR/USD	1.1261 (0.12%)
USD/JPY	111.26 (0.06%)
USD/CAD	1.3409 (0.15%)
GBP/USD	1.3048 (-0.78%)
USD	97.14 (-0.04%)

COMMODITY

Oil	57.36 (1.00%)
Natural Gas	2.769 (-0.11%)
Gold	1295.7 (0.36%)
Copper	2.9345 (1.15%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.33 (-10.72%)
Nasdaq	VXN	16.36 (-14.44%)
Oil	OVX	29.18 (-1.99%)
Gold	GVZ	10.18 (-3.14%)

MARKET OUTLOOK

Futures are indicating a modestly lower open to start the morning ahead of inflation data. US/China talks resumed overnight with representatives discussing arrangements for the next meeting. China officials remain wary of setting up a Trump/Xi meeting without a deal in place as they reportedly fear being embarrassed by Trump pulling out at the last minute. Brexit the key focus today with the UK parliament set to vote on PM May's plan later. She was able to secure some modest concessions from the EU last night. Boeing's woes continue with more countries grounding the 737 MAX and one customer considering a switch to Airbus.

Asian markets were very strong overnight building on the rally in the US Monday. The Yen weakened as well helping lift the Nikkei by nearly 2%. Chips, industrials, and healthcare all led. Semiconductor **Ryoyo Electro** rose 7.7% after strong earnings. Japanese BSI large manufacturing condition survey fell to its lowest level since June 2016. The Q1 survey fell to -7.3 vs a forecast of 4.8. Singapore retail sales rose 7.6% in January.

European markets are mixed overnight with Ireland outperforming after Britain the EU agreed to modest changes to the Brexit deal. Parliament will vote on PM May's new deal later today. UK industrial production came in above estimates at 0.6% in January while manufacturing production also tracked above forecasts. Construction output rose 2.8%, a strong bounce-back. UK GDP was 0.5%. Swiss drug retailer **Galenica** was up 7% after strong earnings. **VW** fell around 1% after their report. They plan to announce 70 new EV models by 2028. Engineering firm **Spie** was higher by 4.5% after strong earnings. **Adyen** fell 5% after large selling from pre-IPO investors in an offering. Baked goods company **Aryzta** rose 11% after strong US sales.

S&P TECHNICALS

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



5873 Advancing	Declining 1384
77.6%	18.3%
198 New High	New Low 65
75.3%	24.7%
5671 Above SMA50	Below 1883
75.1%	24.9%
3396 Above SMA200	Below 4158
45.0%	55.0%

KEY EVENTS TO WATCH

Earnings After the Close: COHU, EVRI, QHC, SWCH, SNCR, ZAGG, ZTO;

Analyst Days: YUMC, COUP, VKTX, ALLE;

Conferences: Deutsche Bank TMT, Cowen Healthcare, Barclays Healthcare;

Economic Data Wednesday: Durable Goods at 8:30 AM, PPI at 8:30, Atlanta Fed at 10:00, Construction Spending at 10:00, EIA Petroleum at 10:30;

Earnings Wed. BMO: DQ, EXPR, SRGY, VRA;

ANALYST ACTION/COMMENTS

Cimpress (CMPR) upgraded to Hold at Aegis

Janus (JHG) upgraded to Overweight at JP Morgan

Ranger Energy (RNGR) upgraded to Overweight at Barclays

Eaton (ETN) upgraded to Overweight at Keybank

American Electric (AEP) upgraded to Buy at JP Morgan

Redhill Bio (RDHL) upgraded to Buy at WBB Securities

Boeing (BA) downgraded to Hold at Edward Jones

Credit Suisse (CS) downgraded to Sell at Keefe Bruyette

Monster (MNST) downgraded to Neutral at BMO

HP Enterprise (HPE) downgraded to Sell at UBS

Coca Cola (KO) downgraded to Hold at HSBC

F-5 Networks (FFIV) downgraded to Neutral at JP Morgan

United Natural (UNFI) downgraded to Sell at Barclays

SpartanNash (SPTN) downgraded to Sell at Barclays

Canadian Pacific (CP) downgraded to Hold at Bernstein

Telefonica (TEF) downgraded to Hold at Berenberg

Guggenheim starting **TWLO, RNG, AVYA**, at Buy, **EGHT, VG** at Neutral

Canadian Natural (CNQ) started Buy at Mizuho

Tellurian (TELL) started Buy at BTIG, \$20 PT

Resideo (REZI) started Outperform at Imperial, \$24 PT

Sarepta (SRPT) started Outperform at BMO

Snap (SNAP) started Overweight at Consumer Edge

MEDIA HIGHLIGHTS

Alphabet's (GOOGL) Waymo seeks financing from outside investors like **VW** – Information

Amazon (AMZN) won't tell sellers they can't offer lower prices elsewhere – Reuters

News Corp. (NWSA), Axel Springer eyeing **Mergermarket** owner – FT

Latin American countries also ground **Boeing's (BA)** 737 MAX 8 - WSJ

Musk claims **Tesla (TSLA)** production tweet didn't violate SEC settlement - NY Post

Hospitals, insurers prepare to fight price transparency proposal - WSJ

Netflix (NFLX) to 'bet more on' interactive series after 'Bandersnatch' - Variety

California considers utility regulator overhaul after **PG&E (PCG)** bankruptcy – WSJ

Brazil regulators have postponed **Amazon (AMZN)** domain decision – Reuters

Berkshire's (BRK/B) Applied Underwriters company is under investigation - NY Post

MercadoLibre (MELI) to raise \$1.85B, including \$750M equity investment from **PayPal (PYPL)** – Reuters

STOCK SPECIFIC NEWS OF NOTE

F5 Networks (FFIV) to acquire NGINX for \$670M

Zafgen (ZFGN) suspends IND filing plans for ZGN-1258

GCP Applied Tech (GCP) reaches agreement with Starboard, adds two board members

Stamps.com (STMP) announces \$60M buyback

FAA issues Continued Airworthiness Notification related to **Boeing (BA)** 737-8, 737-9

Care.com (CRCM) announces changes to approving, managing caregiver profiles

Biogen (BIIB) to sell manufacturing operations in Denmark to Fujifilm for up to \$890M

Akebia (AKBA) 2 phase 3 active-controlled pivotal studies of vadadustat met endpoints

Volkswagen plans 22M electric vehicles in 10 years

Eli Lilly (LLY) Phase 3 RELAY study meets PFS primary endpoint

PRE-MARKET MOVERS

Moving Higher: AKBA 39%, SFIX 26.4%, MOMO 7.7%

Moving Lower: BA -2.2%, ROKU -2%

INSIDER TRADING (Form 4 Filings)

Buying: BCO, CSU, TEX

Selling: OLLI, GGG, NDSN, EW, GPS, BMRN, WING, CZR, RNG, FGEN, GPN, CRM, AYW

INSTITUTIONAL MONEY FLOW

Buying: BMY, DPZ, KAR, LKQ, HLF, DSW, HXL, NEM, PCG, VC, EB, MOMO, HBI

Selling: ABBV, TSLA, XOM, T, TWTR, GRUB, ORCL, ROKU, XPO, BAC, VALE

OPTION HIGHLIGHTS (Prior Day)

Cree (CREE) trading nearly 3X average calls today with more than 3,650 April \$55 calls bought up to \$1.75 to open on the day. CREE still has 1,800 January 2020 \$55 calls and 2,325 January 2021 \$55 calls in OI from buyers as well as 5,500 deep ITM January \$28 calls. CREE has been a strong name recently hitting its highest levels since 2014 last week. Shares recent broke out above \$50, an optimal spot to target on a pullback with the 13-EMA aligning as well, and the range targets a long-term move to \$65. The \$5.44B company trades 40X earnings, 3.4X sales, and 7.5X cash. CREE expects a significant ramp in profitability through FY21 with EPS up to \$1.85 from \$0.15 in 2018. Revenue growth is expected to be steady, around 10% annually up to \$2B. CREE is coming off a strong quarter despite issues from trade and seeing margin improvement across all of their businesses, a major headwind in prior quarters. Their Wolfspeed business remains a standout and the company continues to focus on adding capacity to meet growing demand, especially in RF where the wireless market is moving more towards GaN. CREE expects the transition to 5G to be a tailwind for their longer-term outlook as demand for higher-efficiency products grows. Analysts have an average target for shares of \$50 with 6 buy ratings, 6 hold ratings, and 1 sell. Oppenheimer raising their PT to \$59 on 1/31 seeing lower risk to 2020 estimates due to strong SiC demand and improved operational performance. They think CREE continues to see significant growth in EV demand, particularly in China, and believes the U.S. and EU will hit tipping points for growth in 2021 and 2022. Short interest is 10.1% but falling from around 13.5% in September and near its lowest level in two years. Institutional ownership rose 27% last quarter.

AFTER HOURS MOVERS

Gainers: SFIX 24%

Losers: ADT -12.9%, PETQ -5.5%, KRO -5%

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

HIBB, FL, SPWH, VSTO, RGR, AOBC – on DKS earnings

SECONDARY MONITOR

MercadoLibre (MELI) to raise \$1.85B in equity offerings; **PYPL** commits to \$750M common stock investment

Roku (ROKU) files automatic securities mixed shelf, \$100M in common stock

Altice (ATUS) 13.5M share block trade priced at \$21.35

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
Stock	--	7.4X	33X	--	--
Industry Avg.	--	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>
BRF SA (BRFS)	Quorum (QHC)	Akorn (AKRX)
Axovant (AXGT)	Tailored Brands (TLRD)	Quorum Health (QHC)
Public Storage (PSA)	Realogy (RLGY)	Rent a Center (RCII)
Dicks Sporting Goods (DKS)	Casey's General (CASY)	Genesee & Wyoming (GWR)
Mellanox (MLNX)	Stitch Fix (SFIX)	Stitch Fix (SFIX)
Conatus (CNAT)	Elanco (ELAN)	Boeing (BA)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Masco (MAS)	Laureate (LAUR)	Mellanox (MLNX)
Braemar (BHR)	Affiliated Managers (AMG)	Denbury (DNR)
Wyndham (WH)	Irhythm (IRTC)	Genworth (GNW)
KAR Auction Services (KAR)	NY Times (NYT)	Riot Blockchain (RIOT)
Zion Oil (ZN)	B&G Foods (BGS)	WageWorks (WAGE)
Brighthouse (BHF)	Mimecast (MIME)	Intelsat (I)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Myriad Genetics (MYGN)	Arlo Tech (ARLO)	Tocagen (TOCA)
Restaurant Brands (QSR)	AK Steel (AKS)	Assembly Bio (ASMB)
Liberty (LBTYA)	Intel (INTC)	Athenex (ATNX)
Zillow (Z)	Mellanox (MLNX)	Concert Pharma (CNCE)
Williams (WMB)	Twitter (TWTR)	Intra-Cellular (ITCI)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Apple (AAPL)	American Air (AAL)	Quorum (QHC)
Nvidia (NVDA)	Ebay (EBAY)	Tailored Brands (TLRD)
Bank of America (BAC)	AK Steel (AKS)	Realogy (RLGY)
US Steel (X)	Vale SA (VALE)	BRF SA (BRFS)
Celgene (CELG)	Realogy (RLGY)	Axovant (AXGT)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Western Digital (WDC)	Realogy (RLGY)	CMCSA < 14,000 January \$40/\$37.5 strangles sold
Twilio (TWLO)	Abercrombie (ANF)	PXD, 1,500 April \$140/\$150 call spreads
Zillow (Z)	Splunk (SPLK)	LNG, January \$90/\$95 call spread bought 2,500X
Zscaler (ZS)	American Eagle (AEO)	FLR, 1,000 January \$42.50/\$30 bull risk reversals
Polaris (PII)	US Steel (X)	AVGO, 600 July \$290/\$240 strangles bought

News and Media

TSMC (TSM) likely to post first annual profit drop in 8 years – Digitimes

DRAM contract prices continue downward trend – Digitimes

Ford Motors (F) China Partner Sees Its Sales Rebounding on New Models – Bloomberg

Starboard believes hedge funds are manipulating stock ahead of **Bristol Myers (BMY)** vote – NY Post

Volkswagen to unveil U.S. plan at end of Q1, mulls further China steps in 2019 – Reuters

T-Mobile (TMUS), Sprint (S) chiefs to defend deal on Capitol Hill, again – Reuters

JetBlue (JBLU) reports preliminary February traffic up 6%

Extras

Industrials (XLI) buyer of 3,000 Jan. 2021 \$71 puts to open \$5.35

Russell (IWM) stock replacement opened 4,000 May \$154 calls for \$4.20

NASDAQ (QQQ) spread for the end of 2019, Dec. 31 (Q) sold 4,000 of the \$200 calls to buy the \$175/\$135 put spreads, looks to be collaring stock

Covetrus (CVET) late buyers of 1,000 April \$35 calls for \$1.65 to \$1.70, recent animal health spinoff from Henry Schein

Discovery (DISCA) with 3,000 May \$30/\$27.50 put spreads opening late day

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
ADT	ADT	-\$0.04	\$0.12	\$1,185.00	\$1,160.73	7.10%	FY In Line
CASY	Casey's General	\$1.13	\$0.99	\$2,048.08	\$2,144.52	-0.30%	Lowers FY SSS
COUP	Coupa Software	\$0.05	\$0.00	\$74.90	\$68.03	39.20%	FY Above
PETQ	PetIQ	-\$0.16	-\$0.04	\$111.00	\$98.72	113.90%	FY Below
SFIX	Stitch Fix	\$0.12	\$0.05	\$370.00	\$364.86	25.00%	FY Above

SFIX – Beat on EPS and Revenues, Guidance Above - Q2 was another strong quarter for us, delivering net revenue of \$370.3 million, exceeding our guidance and representing 25% year-over-year growth," said Stitch Fix Founder and CEO Katrina Lake. "Since becoming a public company, we have posted six consecutive quarters of over 20% growth, which demonstrates our ability to drive consistent business performance. We implemented an inventory optimization algorithm to improve client outcomes. We continued to invest in our U.K. expansion, and remain on track to launch in fiscal Q4'19.

COUP – Beat on EPS and Revenues, FY Above - "The fourth quarter of fiscal 2019 was the strongest quarter yet in our company's history, as marked by a number of significant milestones," said Rob

Bernshteyn, chief executive officer at Coupa. "We achieved 42% year-over-year subscription revenue growth and 11.5% annual free cash flow margins. We were also profitable for the year on a non-GAAP basis, delivering non-GAAP earnings per share of 18 cents, with a net loss per share of 96 cents on a GAAP basis. In addition, we surpassed \$1 trillion in cumulative spend under management demonstrating the breadth and depth of our growing customer base. Heading into fiscal 2020, our powerful combination of innovation, execution, and core values that are centered around ensuring customer success, will enable us to extend our leadership position in Business Spend Management (BSM)."

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
DKS	Dick's Sporting Goods	\$1.07	\$1.06	\$2,490.0	\$2,476.04		SSS -2.2%
IPI	Intrepid Potash	\$0.06	\$0.04	\$34.90	\$36.19	4.80%	
KEYW	KEYW Holding	-\$0.11	\$0.01	\$126.30	\$128.10	-0.50%	FY In Line
MOMO	Momo	\$0.59	\$0.52	\$559.10	\$536.45	44.70%	Q1 In Line; Special Divy