

## TOP STORIES

- Global Markets Mixed Ahead of Fed
- US trade officials visit China next week for fresh round of talks
- U.K. Inflation Ticks Up on Food, Games But Stays Below Target
- Taiwan Export Orders Fall Most in Nearly Three Years as Tech Slump Drags On
- Second US Jury Finds Bayer's Roundup Caused Cancer

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2835 (-1.5)</b>	<b>-2.87</b>
<b>Nasdaq</b>	<b>7372.75 (-3.75)</b>	<b>-4.53</b>
<b>Dow</b>	<b>25891 (-15)</b>	<b>-26.38</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7314.59</b>	<b>-0.13%</b>
<b>DAX</b>	<b>11633.68</b>	<b>-1.31%</b>
<b>Nikkei</b>	<b>21608.92</b>	<b>0.20%</b>
<b>Hang Seng</b>	<b>29320.97</b>	<b>-0.49%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>10:30</b>	<b>EIA Petroleum Status</b>	
<b>2:00</b>	<b>FOMC Announcement</b>	
<b>2:30</b>	<b>Fed Press Chair Conference</b>	

## FOREX

<b>EUR/USD</b>	<b>1.1351 (0.02%)</b>
<b>USD/JPY</b>	<b>111.49 (0.11%)</b>
<b>USD/CAD</b>	<b>1.333 (0.11%)</b>
<b>GBP/USD</b>	<b>1.3233 (-0.26%)</b>
<b>USD</b>	<b>95.89 (0.06%)</b>

## COMMODITY

<b>Oil</b>	<b>58.41 (-1.05%)</b>
<b>Natural Gas</b>	<b>2.865 (-0.31%)</b>
<b>Gold</b>	<b>1304.2 (-0.18%)</b>
<b>Copper</b>	<b>2.925 (0.07%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>13.56 (3.51%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>16.73 (3.40%)</b>
<b>Oil</b>	<b>OVX</b>	<b>28.44 (7.30%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>9.82 (0.31%)</b>

## MARKET OUTLOOK

Futures are indicating a modestly lower open this morning ahead of the Fed decision. The expectation is for the Fed to forecast one rate hike in 2019, down from two in December. Another hike in 2020 is a toss-up according to Bloomberg economists. The focus will be on Powell and commentary about patience towards future hikes as well as discussion about reducing the Fed's \$4T balance sheet. The dollar is modestly higher overnight while the 10-year note is down slightly to 2.599%.

Elsewhere, PM May has said that she will not ask for a long extension to the March 29 Brexit deadline. EU officials is prepared to tell MY that if the UK doesn't take part in EU elections it will be ejected in July without a deal. US trade negotiators are growing more pessimistic about China's shifting stance on trade talks. Chinese officials want more assurances the US will lift tariffs.

Asian markets were mixed overnight with the Nikkei closing slightly higher. **Sony** and **Nintendo** fell after the Google videogame announcement. The BOJ minutes showed policymakers disagreeing on the next policy move as risks mount. While some agreed it was necessary to maintain the current program, many others said the group needs to be ready to take quick action including more easing. South Korea PPI came in hot at 0.1% vs -0.1% expected.

European markets are lower this morning with the DAX lagging down over 1.3%. Chemicals leader **Bayer** fell 10% after another US court ruling around Roundup's link to cancer. The unanimous verdict in one of Germany's biggest names comes eight months after a similar ruling for \$289M. **Munich Re** fell 2% after warning on their outlook. **Inmarsat** rose 1.3% after a takeover approach. German PPI came in light at 2.6% vs 2.9% expected. UK CPI was 1.9% vs 1.8% forecast. PPI input fell to 3.7% vs 4.3%.

## S&P TECHNICALS

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



3117 Advancing	Declining 4045
41.2%	53.4%
253 New High	New Low 67
79.1%	20.9%
5482 Above SMA50	Below 2066
72.6%	27.4%
3790 Above SMA200	Below 3758
50.2%	49.8%

**KEY EVENTS TO WATCH**

**Earnings After the Close:** GES, MLHR, MU, QADA, WPM, WSM, WOR;

**Analyst Days:** ALXN, DOMO, CX, NTNX, VERI;

**Conferences:** Oppenheimer Healthcare;

**Earnings Before the Open Thursday:** ATU, CSIQ, CMC, CAG, CVIA, DRI, LE;

**ANALYST ACTION/COMMENTS**

**Arista Networks (ANET)** raised to Hold at Deutsche Bank

**Nevro (NVRO)** upgraded to Outperform at BMO; upgraded to Buy at BAML

**Cree (CREE)** upgraded to Outperform at JMP

**First Energy (FE)** upgraded to Overweight at Barclays

**NextEra (NEE)** upgraded to Overweight at Barclays

**Dollar Tree (DLTR)** upgraded to Outperform at TAG

**Vodafone (VOD)** upgraded to Outperform at Macquarie

**Texas Roadhouse (TXRH)** upgraded to Overweight at Stephens, \$70 PT

**Teradata (TDC)** downgraded to Sell at Citi

**Sony (SNE)** downgraded to Hold at Jefferies

**Monster (MNST)** downgraded to Neutral at Goldman

**Mr Cooper (COOP)** downgraded to Sell at Piper Jaffray

**Innovative Industrial (IIPR)** downgraded to Neutral at Ladenburg

**Nokia (NOK)** downgraded to Hold at Nordea

**Rockwell (ROK)** downgraded to Neutral at UBS

**Michael's (MIK)** downgraded to Neutral at BAML

**Eli Lilly (LLY)** resumed Buy at UBS, \$140 PT

**Elanco (ELAN)** resumed Sell at UBS, \$28 PT

**Lyft (LYFT)** started Buy at DA Davidson, \$75 PT

**HubSpot (HUBS), Wix.com (WIX)** initiated Buy at Guggenheim

Sun Trust initiating in biotech with **AGN, AMRX, BHC, BDSI, COLL, ENDP, JAZZ, MYL, EOLS** at Buy, **ZTS, TEVA, PRGO, NVCR, LCI, AKRX** at Neutral

**MEDIA HIGHLIGHTS**

**Roku (ROKU)** deal 'could make sense' for **Disney (DIS)**, **Walmart (WMT)** - The Information

**GoPro (GPRO)** rival China's Insta360 plans '20 IPO – CNBC

**Lyft (LYFT)** IPO oversubscribed so far – Reuters

**Google (GOOGL)** offers Android, product ad concessions for Europe – WSJ

**J&J (JNJ), Sientra (SIEN)** get FDA warning letters over breast implants – Reuters

**Inmarsat** in talks to go private at \$3.3B valuation after being approached by private equity – Reuters

**PG&E (PCG)** ignored California wildfire risks in favor of profit - NY Times

Trump calls for action to be taken against social media companies (**FB, TWTR**) – BI

**BlackRock (BLK)** cuts price to invest in largest equity index mutual fund - WSJ

FDA commissioner calls meeting with **Altria (MO), Juul** 'difficult' – CNBC

China EV battery makers reportedly competing for orders from **Tesla (TSLA)** – Digitimes

**BMW** Warns of Profit Slump and Sets a \$25 Billion Savings Plan – Bloomberg

**UBS** Says First Quarter Was 'One of the Worst' in Recent History – Bloomberg

**Glencore** weighs sale of Cobar copper mine – FT

**Tencent** weighs bid for part of **Temasek's** stake in A.S. Watson - Bloomberg

**STOCK SPECIFIC NEWS OF NOTE**

**Leidos (LDOS)** awarded Army contract worth up to \$25.5B

**Nevro (NVRO)** CEO Rami Elghandour steps down; Nevro suspends 2019 revenue guidance

FDA approves **Sage Therapeutics' (SAGE)** Zulresso in Post-Partum treatment

**Pfizer (PFE), Merck KGaA** discontinue Phase III JAVELIN Ovarian PARP study

**Kaspersky Lab** files antitrust complaint against **Apple (AAPL)**

**Radian Group (RDN)** announces board changes, expands share buyback program to \$250M

**PRE-MARKET MOVERS**

**Moving Higher:** GIS 5.8%

**Moving Lower:**

**INSIDER TRADING (Form 4 Filings)**

**Buying:** HY, VSTM, AR, BX, SEM

**Selling:** LII, BC, OLED, BIIB, OLLI, MKC, ROST, LRCX, TXRH, THG, TSLA

**INSTITUTIONAL MONEY FLOW**

**Buying:** DWDP, BLK, AAPL, PXD, BAC, T, FDC, FISV, TOL, VZ, GRUB, NSC

**Selling:** NVDA, AZO, PBR, GG, WMT, NIO, SIRI, AABA, DPZ, NTNX, ELAN

**OPTION HIGHLIGHTS (Prior Day)**

DowDuPont (DWDP) buyers of 10,000 April \$57 calls this morning from \$0.95 to \$1 and follows recent buyers in the \$57.50 calls over 8,000X. The June \$60 calls bought over 10,000X as well while the April \$55 calls have 15,750 in open interest from buyers. There has also been calls bought in the September \$57.50 calls, June \$55 calls, and March 29<sup>th</sup> (W) calls. DWDP shares are moving back above cloud resistance today and consolidating in a multi-week range above its short-term moving averages and under \$56. A breakout targets a move up to \$61. Longer-term, the large wedge is forming under \$57/\$58 which targets a move through the September low-volume gap back to \$67/\$68. The \$123B chemicals giant trades 11.8X earnings, 1.45X sales, and 9X cash with a 2.75% yield. DWDP has taken down estimates recently now seeing 2019 as a transition year as it faces headwinds from raw materials, FX, and weaker end-markets. The company is executing a three-company split which will allow them to re-focus R&D into faster growing businesses like DuPont which has opportunity in nutrition and health markets. Analysts have an average target for shares of \$71 with 11 buy ratings and 8 hold ratings. BAML positive on 3/6 seeing multiples as overly pessimistic for the three businesses (6X EV/EBITDA for Dow, 10X for Corteva and Dupont). They see Dow's outsize capex spend over the last five years driving a premium EBITDA growth to peers like LYB. RBC lowering their PT today to \$64 but maintaining a Top Pick rating. They see higher costs related to the split but management's stronger focus on EBIT growth, FCF, and ROI will be a significant driver post-split. Short interest is 1%. Institutional ownership fell 8%. On 8/8, CEO Ed Breen bought \$2M in stock at \$67.61, the largest open market buy in years for the name.

**AFTER HOURS MOVERS**

**Gainers:** SMAR 10.6%, NVRO 9%, SAGE 5.6%

**Losers:** TME -7%, FDX -5.7%, AIR -5%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.62	Declining
CBOE Index Put/Call Ratio	1.17	Neutral
CBOE Skew Index	128.76	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	65	Greed
NYMO	-8.89	Neutral
NYSE Highs/Lows	77.42	Off of Recent Highs
McClellan Summation	983.72	Below 8-EMA
Univ. of Michigan Consumer Sentiment	97.8 (March)	-3.6% Y/Y

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

**POTENTIAL SYMPATHY TRADES**

**UPS** – on FDX earnings

**K, PEP, KHC, HRL, MKC, SJM, CAG, CPB, LW** – on GIS earnings

**IPO MONITOR**

**Alight (ALIT)** issuing 32M shares at \$22-\$25; Provider of integrated, cloud-based human capital software

**Levi Strauss (LEVI)** issuing 36.7M shares at \$14-\$16; Designer and marketer of jeans, casual dress pants, and other apparel

**Lyft (LYFT)** expected to price within the next two weeks; One of the largest ride sharing networks in the US and Canada

**SECONDARY MONITOR**

**NanoString (NSTG)** 4.5M secondary priced at \$23

**Dermira (DERM)** 9.8M secondary priced at \$13.25

# TRADE

## WEEKLY TECHNICAL BREAKOUT

CL:



**Colgate (CL)** shares are nearing a bull flag breakout above \$67.50 after pulling back to the prior breakout and basing. RSI is moving back above 60 while MACD is crossing over bullish. Shares have a measured move to \$70.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Quidel (QDEL)

**Price:** \$68

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>21.4X</b>	<b>5.6X</b>	<b>6.3X</b>	<b>17.9X</b>	<b>27.7X</b>
<b>Industry Avg.</b>	<b>21.6X</b>	<b>4X</b>	<b>4.5X</b>	<b>20.4X</b>	<b>37.1X</b>

**Analysis:** QDEL is a \$2.66B company which trades 21.4X earnings and 5X sales with double-digit EPS growth. The company expects 5.7% revenue growth as well driven by growth in diagnostic solutions. QDEL is seeing 11% CAGR and their recent acquisition of Triage & Beckman BNP will double their size. QDEL sees \$1.7B market opportunity with their Sofia and Savanna launches.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

BITA:



**BitAuto (BITA)** shares are one of the weaker China-related names recently and back near key support at \$17. A breakdown target is \$14.50. MACD has pulled back to zero and is now fading while RSI is moving under 40.

## PAIR TRADE OF THE WEEK

**Industry:** Rails / PSR Adoption

**Long/Short:** Long **Kansas City Southern (KSU)**, Short **WABTEC (WAB)**

**Analysis:** KSU has been one of the better rail performers with optimism around their transition to PSR and incremental updates this quarter will be a positive catalyst. WAB will be negatively impacted by PSR and faces a tough overhang from the GE Transport merger.

## SMALL CAP TRADE OF THE WEEK

**CRA International (CRAI)** is a \$405M company which focuses on consulting services on economic and financial matters pertaining to litigation and regulatory proceedings. Shares trade 18.4X earnings and 0.97X sales with mid-double digit growth. CRAI is coming off a strong quarter with 12% organic growth and strength in Energy, Forensic Services, and Life Sciences. Their management consulting service is also growing in importance.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Sorrento (SRNE)	Northern Oil (NOG)	Lexicon (LXRX)
DSW (DSW)	Life Storage (LSI)	Sleep Number (SNBR)
Liberty (LBTYA)	Michael's (MIK)	At Home (HOME)
Johnson Controls (JCI)	HD Supply (HDS)	Sprint (S)
Heron (HRTX)	DSW (DSW)	Chesapeake (CHK)
Stars Group (TSG)	Eventbrite (EB)	United Rentals (URI)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
CommVault (CVLT)	Perficient (PRFT)	Altimune (ALT)
Landstar (LSTR)	Waddell & Reed (WDR)	Amyris (AMRS)
Infosys (INFY)	Life Storage (LSI)	DSW (DSW)
Liberty (LBTYA)	Northern Oil (NOG)	Michaels (MIK)
Johnson Controls (JCI)	SBA Comms (SBAC)	Novavax (NVAX)
Genuine Parts (GPC)	Bank of NY (BK)	Bitauto (BITA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Amyris (AMRS)	HP Enterprise (HPE)	Tocagen (TOCA)
Lexicon (LXRX)	Nio (NIO)	Assembly Bio (ASMB)
NXP Semi (NXPI)	PG&E (PCG)	Concert Pharma (CNCE)
Sprint (S)	Micron (MU)	Intra-Cellular (ITCI)
Stars Group (TSG)	Twitter (TWTR)	Qutuotiao (QTT)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Advanced Micro (AMD)	Ford Motor (F)	Northern Oil (NOG)
Coty (COTY)	Micron (MU)	Life Storage (LSI)
DowDuPont (DWDP)	Intel (INTC)	Michael's (MIK)
Pfizer (PFE)	Verizon (VZ)	DSW (DSW)
American Air (AAL)	Facebook (FB)	Liberty (LBTYA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Crown Castle (CCI)	AbbVie (ABBV)	DIS, 2,050 March 29th (W) \$114/\$110 bull risk reversals
Uniqure (QURE)	DaVita (DVA)	SEAS, September \$25/\$33 call spread bought 1,250X2,500
Ralph Lauren (RL)	Microsoft (MSFT)	TPX, 1,000 June \$60/\$75 call spreads
Nvidia (NVDA)	Capital One (COF)	AGRO, June \$7.50/\$10 call spread bought 2,500X5,000
Etsy (ETSY)	Tiffany (TIF)	QURE, May \$70/\$90 call spread bought 1,217X

## News and Media

**Toshiba Memory** IPO likely pushed back two months to November – Reuters

Regulators are now looking at **Boeing (BA)** 737 Max 8 software system. NY Times

Activist investor Jeff Ubben is critical of **PG&E (PCG)** decision to delay Board nominations. Bloomberg

**Petrobras (PBR)** will receive \$18B from government and private sources. Bloomberg

**iQIYI (IQ)**, **China Unicom (CHU)** Beijing collaborate on commercialization of 5G technology

**Alexion (ALXN)**, **Affibody** announce partnership to co-develop ABY-039; **ALXN**, **Zealand Pharma (ZEAL)** announce collaboration for peptide therapies

**Pfizer (PFE)** secures exclusive option to acquire **Vivet Therapeutics**

**Canopy Growth (CGC)** enters extraction agreement with HollyWeed North Cannabis

**Nexstar (NXST)** enters agreements to divest nineteen stations for \$1.32B

**Pareteum's (TEUM)** iPass SmartConnect solution selected for **Citrix (CTXS)**

**Google (GOOG)** fined €1.49B by EU for abusive practices in online advertising

**Kroger (KR)** to sell Turkey Hill brand to Peak Rock Capital

## Extras

**Activision (ATVI)** late spread buys 6,000 April \$47 calls for \$1.24 and sells the March 29th (W) \$44 puts against for \$0.32

**Starbucks (SBUX)** buyer of 1,500 June 2020 \$55 puts for \$1.92

**United Rentals (URI)** the April 12th (W) \$118/\$110 put spread bought 800X for \$1.75

**Zayo (ZAYO)** buyer of 5,000 May \$30 calls late for \$1.35 and 1,000 of the \$32.50 calls \$0.55

**Disney (DIS)** late day buyer into weakness of May \$110 calls \$4.50 with 2,500 on the day

**Comcast (CMCSA)** buyer of 6,750 June 2020 \$37.50 puts \$3 to open

**CommVault (CVLT)** buyer of 1,000 May \$70/\$75 call spreads late in the day \$1.05

**Halliburton (HAL)** opening sale of 2,000 October \$27.50 puts for \$1.94 in stock replacement

**Charter (CHTR)** large opening trade for 500 September \$360 calls as June \$350 adjusted

**Harris (HRS)** IV picked up into the close as 625 May \$160 puts opening \$4.90 to \$5.30

**Flexion (FLXN)** with 500 November \$12.50 calls bought to open \$2.55

## Earnings

Ticker	Company	EPS	EPS	Revs Actual	Revs	Y/Y	Notes
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		Actual	Estimate		Estimate	Growth	
AIR	AAR Corp	\$0.79	\$0.71	\$529.50	\$539.70	16.00%	FY In Line
FDX	FedEx	\$3.03	\$3.10	\$17,010.00	\$17,697.14	2.90%	Cuts Outlook
FNV	Franco-Nevada	\$0.24	\$0.26	\$148.20	\$157.37	-11.40%	
SMAR	Smartsheet	-\$0.07	-\$0.13	\$52.20	\$49.72	58.20%	FY Above
SCS	Steelcase	\$0.29	\$0.26	\$912.00	\$870.60	18.00%	
TME	Tencent Music	\$0.57	\$0.56	\$5,397.0	\$5,243.66	50.5%	
GIS	General Mills	\$0.83	\$0.69	\$4,198.0	\$4,205.14	8.1%	FY In Line

**FDX – Missed on EPS and Revenues, Cuts Outlook** – "Our third quarter financial results were below our expectations and we are focused on initiatives to improve our performance," said Frederick W. Smith, FedEx Corp. chairman and chief executive officer. "Our investments in innovation, network infrastructure and automation will increase our competitiveness and drive long-term earnings growth. FedEx built and operates the preeminent global parcel and logistics network, and we have a lengthy track record of success." "Slowing international macroeconomic conditions and weaker global trade growth trends continue, as seen in the year-over-year decline in our FedEx Express international revenue," said Alan B. Graf, Jr., FedEx Corp. executive vice president and chief financial officer. "We have launched our voluntary employee buyout program, constrained our hiring, are limiting discretionary spending and are reviewing additional actions to mitigate the lower-than-expected revenue trends."

**SMAR – Beat on EPS and Revenues, FY Above** - "Q4 capped a great year for Smartsheet," said Mark Mader, CEO of Smartsheet. "Our work execution platform continues to empower customers across the globe, our leadership in the expanding Collaborative Work Management market continues to strengthen, and we remain intensely focused on helping enterprises achieve a competitive advantage through digital transformation." "The momentum in our business is supported by strength across our key metrics," said Jennifer Ceran, CFO of Smartsheet. "Our net dollar retention rate reached 134%, aided by domain average ACV growth of 50% and growth in the number of customers with ACVs over \$5,000 and over \$50,000 increasing 63% and 135%, year over year, respectively."