

## TOP STORIES

- Global Markets Lift as US, China Trade Talks Advance in Beijing
- Mnuchin: Talks with Chinese “Very Productive”
- Lyft Prices at High-End of Range, \$72, Raising \$2.34B in IPO
- Wells Fargo CEO Steps Down

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2826.75 (5.75)</b>	<b>6.81</b>
<b>Nasdaq</b>	<b>7369.25 (17.25)</b>	<b>22.78</b>
<b>Dow</b>	<b>25791 (54)</b>	<b>61.54</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7253.11</b>	<b>0.26%</b>
<b>DAX</b>	<b>11475.33</b>	<b>0.41%</b>
<b>Nikkei</b>	<b>21205.81</b>	<b>0.82%</b>
<b>Hang Seng</b>	<b>29051.36</b>	<b>0.96%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Personal Income</b>	<b>0.3%</b>
<b>9:25</b>	<b>John Williams Speaks</b>	
<b>9:45</b>	<b>Chicago PMI</b>	<b>60.3</b>
<b>10:00</b>	<b>New Home Sales</b>	<b>615K</b>
<b>10:00</b>	<b>Consumer Sentiment</b>	<b>97.8</b>

## FOREX

<b>EUR/USD</b>	<b>1.1231 (0.10%)</b>
<b>USD/JPY</b>	<b>110.78 (0.14%)</b>
<b>USD/CAD</b>	<b>1.3418 (-0.14%)</b>
<b>GBP/USD</b>	<b>1.3107 (0.49%)</b>
<b>USD</b>	<b>96.74 (-0.02%)</b>

## COMMODITY

<b>Oil</b>	<b>60.02 (1.21%)</b>
<b>Natural Gas</b>	<b>2.692 (-0.74%)</b>
<b>Gold</b>	<b>1296 (0.05%)</b>
<b>Copper</b>	<b>2.92 (1.65%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>14.57 (-3.83%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>18.12 (-3.31%)</b>
<b>Oil</b>	<b>OVX</b>	<b>28.35 (0.75%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>10.33 (-0.29%)</b>

## MARKET OUTLOOK

Futures are indicating a higher open to close the week as trade talks between the US and China show early progress in Beijing. Treasury Secretary Mnuchin was positive yesterday noting the two sides had a productive working dinner to kick off talks. Copper is jumping this morning with the talks, up 1.8%, while platinum and palladium also strong. Oil is also higher by over 1.2% today. British parliament will hold a special sitting today to vote on PM May's Brexit agreement again. The overall consensus is that when May's proposal gets rejected again the chances of a long-term extension and renegotiation of the deal will rise. We could also see a snap election and potentially a “softer” Brexit deal.

Asian markets closed the week strong as trade talk boosted optimism in the region. The Nikkei finished up 6% for the quarter. Japanese industrial production rose 1.4% in February, in line with forecasts, while 1-2 month forecasts also show 1.1% to 1.3% growth. Retail sales rose 0.4%, weaker than the forecast. Unemployment fell to 2.3%. South Korean industrial production fell 2.6%, far worse than the expectation. **Daichii Sankyo** rose 16% and limit up after announcing a deal with AstraZeneca to sell a cancer drug. **Kawasaki Kisen** and **Yaskawa Electric** rose 2.5% with machinery stocks higher.

European markets are gapping higher this morning and near the week's highs with the trade talk. UK GDP rose slightly to 1.4% vs 1.3% expected while business investments were better than feared at -0.9%. German unemployment fell slightly to 4.9%. Retail sales rose 0.9% which was better than feared. French inflation cooled in the latest reading. **H&M** was the biggest gainer up 14.7% after earnings. Travel firm **Tui AG** fell 9% after cutting their outlook due to the Boeing grounding. **Deutsche Telekom** was down 5% after a downgrade.

**Mosaic (MOS)** in focus with the plantings date later and Credit Suisse upgrading to Neutral last night. The firm is more upbeat citing modest downside to Chinese cash operating costs, lower immediate-term ammonia and sulfur costs, evidence of near-term volume discipline, the emphasis on long-term cost reduction programs and balance sheet stability.

## S&P TECHNICALS

**Levels:** Support 2,800/2,750; Resistance 2,820/2,850



4730 Advancing	Declining 2451
62.5%	32.4%
220 New High	New Low 78
73.8%	26.2%
4582 Above SMA50	Below 2963
60.7%	39.3%
3538 Above SMA200	Below 4007
46.9%	53.1%

**KEY EVENTS TO WATCH**

**Economic Data on Monday:** Retail Sales, PMI Manufacturing, Business Inventories, ISM Manufacturing, Construction Spending

**Earnings BMO Monday:** NVGS, CALM

**Earnings AMC Monday:** None

**Conferences:** Capital Link Shipping and Offshore Forum, Microcap Spring Forum

**Analyst Days:** BIIB R&D Day

**ANALYST ACTION/COMMENTS**

**Bright Scholar (BEDU)** upgraded to Buy at Goldman

**Mosaic (MOS)** upgraded to Neutral at Credit Suisse

**KeyCorp (KEY)** upgraded to Neutral at Nomura

**Regions Financial (RF)** upgraded to Neutral at Nomura

**Wells Fargo (WFC)** upgraded to Neutral at Raymond James

**Marker Therapeutics (MRKR)** upgraded to Strong Buy at WBB Securities

**F-5 Networks (FFIV)** upgraded to Neutral at Piper

**Viking (VKTX)** upgraded to Outperform at Leerink

**Oil States (OIS)** upgraded to Outperform at Wells Fargo

**Ranger (RNGR)** upgraded to Outperform at Wells Fargo

**Viacom (VIAB)** upgraded to Buy at Loop Capital

**Wells Fargo (WFC)** downgraded to Hold at Deutsche Bank

**Yeti (YETI)** downgraded to Neutral at MSCO

**Mohawk (MHK)** downgraded to Neutral at Longbow

**RH (RH)** downgraded to Neutral at Deutsche Bank

**Carlyle (CG)** downgraded to Neutral at BAML

**Charter (CHTR), Comcast (CMCSA)** downgraded to Neutral at RBC Capital

**IDEX (IEX)** downgraded to Neutral at Janney

**Uniqure (QURE)** initiated Outperform at Baird, \$85 PT

**California Resources (CRC)** started Buy at Mizuho

**SM Energy (SM)** initiated Overweight at Stephens

**Outfront (OUT)** initiated Outperform at Oppenheimer

**MEDIA HIGHLIGHTS**

Watchdog questions FDA approval of **Acadia (ACAD)** Parkinson's drug – CNN

**Ascena Retail (ASNA)** exploring sale of Dressbarn chain of stores - Bloomberg

**Morgan Stanley's (MS)** No. 2 Colm Kelleher to retire, according to memo – CNBC

**JPMorgan (JPM), Nomura** get China approval to set up brokerage JVs - Reuters

Demand for **AMD (AMD)**-based servers rises with EPYC series - DigiTimes

Washington state reviews WTO tax case ruling on **Boeing (BA)** - Reuters

The rise of 'death-care' stocks may soon end due to price transparency (**SCI, CSV**) – WSJ

President Trump plans to sign executive order to speed up pipeline development (**TRP, KMI, LNG**). Axios

Joseph Tsai is in discussions to purchase Barclays Center (**MSG**). NY Post

**Mondelez (MDLZ)** is in discussions to purchase **Campbell's (CPB)** cookie unit - Bloomberg

PC chip demand to stay sluggish through 2Q19 – Digitimes

**STOCK SPECIFIC NEWS OF NOTE**

**Wells Fargo (WFC)** CEO Tim Sloan to retire, Allen Parker named interim CEO

**Tailored Brands (TLRD)** names Dinesh Lathi as new CEO

**Eagle Materials (EXP)** holder Sachem Head reports 8.9% stake, pushing for a breakup

**Progress Software (PRGS)** to acquire **Ipswitch** for \$225M in cash

**Amarin (AMRN)** submits sNDA to FDA for new Vascepa indication for cardiovascular risk

**Galapagos (GLPG), Gilead (GILD)** announce Filgotinib met primary, secondary endpoints in Phase 3 Finch trial

**Revlon (REV)** says ERP system disrupted ops, caused material weakness in reporting

**AstraZeneca (AZN)** to pay Daiichi Sankyo up to \$6.9B in DS-8201 commercialization pact

**Magellan Health (MGLN)** enters agreement with Starboard for four new directors

**DowDuPont (DWDP)** lowers Q1 outlook on weather

**PRE-MARKET MOVERS**

**Moving Higher:** GLPG 14.5%, VKTX 4.6%, GILD 2.8%, WFC 2.2%, MU 1.7%

**Moving Lower:** AZN -5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** MYOS, ATNX

**Selling:** CTXS, A, TGT, TOL, COST, M, HRL, STRA, YUMC, CRM, DG, GDDY, CVNA

**INSTITUTIONAL MONEY FLOW**

**Buying:** WMT, HUM, AAPL, CME, WELL, WBC, TWLO, NLSN, MRVL, VLO, QCOM

**Selling:** BA, MSFT, LULU, PG, CONE, O, APD, BK, SLB, SCHW, SNPS, TTD, WLK

**OPTION HIGHLIGHTS (Prior Day)**

International Paper (IP) late buyers yesterday of 1,350 October \$45 calls for \$3.50 and follows buyers recently in the July \$47.50 calls where over 3,700 have accumulated. IP has 1,350 July \$45 short puts and over 6,000 of the July \$50 calls in OI as well while the January \$50 calls have 2,850 from buyers in 2018. Shares are consolidating below \$48 and the 200-day MA, a big volume shelf from the November and February ranges which targets \$55 on a breakout. The \$18.74B company trades 8.6X earnings, 0.80X sales, and 21.5X FCF with a healthy 4.4% yield. IP is coming off a strong quarter with profit growth across industrial packaging, cellulose fibers, and printing papers. Their Graphic Packaging merger is entering year two which has greatly expanded their footprint in the SBS foodservice market. Analysts have an average target for shares of \$55 with 5 buy ratings, 6 hold ratings, and 1 sell. RBC raising their PT on 2/1 citing better FCF as they expect lower capital expenditures in year two of the merger integration. Citi positive on late-year volumes in 2018 and record EBITDA per ton in their Industrial Packaging business, potential signs of a turnaround in 2019. Stephens upgraded to Overweight on 1/23 with a \$60 PT. The firm thinks investor sentiment is unusually low and capacity risk in containerboard is overblown. Institutional ownership rose 46.75% last quarter. Short interest is 2.5% and down from 2.8% in late 2018.

**AFTER HOURS MOVERS**

**Gainers:** PRGS 18.7%, EXP 4%, WFC 2.6%

**Losers:** RH -17%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.62	Falling
CBOE Index Put/Call Ratio	1.156	Falling
CBOE Skew Index	117.55	Falling Sharply
VIX Curve	Contango	Normal
CNN Fear & Greed Index	59	Greed
NYMO	-35.09	Low
NYSE Highs/Lows	83.31	High
McClellan Summation	923.93	Below 8-EMA
Univ. of Michigan Consumer Sentiment	97.8 (March)	-3.6%

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

**POTENTIAL SYMPATHY TRADES**

**VMC, MLM** – on Sachem Head’s activist stake in EXP

**WSM, W** – on RH weakness

**IPO MONITOR**

**Precision Bio (DTIL)** issuing 7.9M shares at \$15-\$17; Genome editing company leveraging its ARCUS platform to treat human diseases

**Genfit (GNFT)** issuing 5M shares at \$26; Late-stage clinical biopharmaceutical company developing drug candidates targeting liver-related diseases

**Lyft (LYFT)** issuing 30.77M shares at \$62-\$68; One of the largest ride sharing networks in the US and Canada

**SECONDARY MONITOR**

**Blueprint (BPMC)** pricing 4.05M secondary at \$74

# TRADE

## WEEKLY TECHNICAL BREAKOUT

LW:



Lamb Weston (LW) shares are nearing a move out of a multi-week base above \$72 which has room back to the recent high-volume node around \$75 and then \$80. Shares held the 200-EMA while RSI is moving back above 55 with last week's late strength and MACD is above zero.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Vulcan Materials (VMC)

**Price:** \$113.5

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>19.8X</b>	<b>3.5X</b>	<b>2.9X</b>	<b>16.2X</b>	<b>41.8X</b>
<b>Industry Avg.</b>	<b>15.3X</b>	<b>0.8X</b>	<b>1.9X</b>	<b>8.6X</b>	<b>21.8X</b>

**Analysis:** VMC is a \$15.5B company which trades 19.8X earnings, 3.5X sales, and 72X FCF with a 1% yield. VMC sees 22.4% and 19.8% EPS growth with revenues up 7-9% behind better demand for aggregates. They have drivers this year from higher transport spending in CA and potential for a bigger bipartisan Federal infrastructure plan being pushed through.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

AEO:



American Eagle (AEO) shares are moving back near the recent support at \$19.50 after forming a lower-high post-earnings. AEO has room back to around \$17 with a breakdown. MACD is moving back under zero and RSI back under 50, weakening strength.

## PAIR TRADE OF THE WEEK

**Industry:** Apparel

**Long/Short:** Long VF Corp (VFC), Short Gap (GPS)

**Analysis:** VFC is coming off a strong quarter with Vans revenue growing 20% and North Face seeing strong HSD growth. The company is investing in growth initiatives which can drive their top brands. GPS has jumped recently after announcing a split but Old Navy the lone brightspot for the company and the divesture leaves them with slowing/stagnant brands and a huge retail footprint.

## SMALL CAP TRADE OF THE WEEK

**America's Car-Mart (CRMT)** is a \$584M auto dealership which trades 12X earnings, 0.88X sales, and 36X FCF. CRMT has seen insiders actively buying stock. CRMT sees 91.5% EPS growth in FY19 and 12-15% the next two years with revenue growth of 12-13%. CRMT is growing their dealership base while volumes up 2-3% and SSS up 8.5% behind better pricing.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Knight Swift (KNX)	Papa John's (PZZA)	Himax (HIMX)
PVH Corp (PVH)	Spirit Aero (SPR)	Casa Systems (CASA)
At Home (HOME)	Toyota (TM)	Realogy (RLGY)
Liberty (LBTYA)	Wabco (WBC)	Wageworks (WAGE)
Smith & Nephew (SNN)	Casa Systems (CASA)	Therapeutics MD (TXMD)
Ares Capital (ARCC)	Lululemon (LULU)	Gogo (GOGO)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Smith & Nephew (SNN)	Realogy (RLGY)	Quantenna (QTNA)
Voya Financial (VOYA)	Aon (AON)	Wabco (WBC)
Carrizo (CRZO)	Norwegian Cruise (NCLH)	Seattle Genetics (SGEN)
Talos (TALO)	TAL Education (TAL)	PVH Corp (PVH)
Liberty (LBTYA)	Childrens Place (PLCE)	Overstock (OSTK)
Iamgold (IAG)	Eldorado (ERI)	Foot Locker (FL)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Wayfair (W)	RH (RH)	Tocagen (TOCA)
Deutsche Bank (DB)	Spirit Aero (SPR)	Assembly Bio (ASMB)
Coty (COTY)	MGM Resorts (MGM)	Intra-Cellular (ITCI)
Transocean (RIG)	Centene (CNC)	Concert Pharma (CNCE)
Western Digital (WDC)	PG&E (PCG)	Quotuoitao (QTT)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Coty (COTY)	Nielsen (NLSN)	Papa John's (PZZA)
Realogy (RLGY)	American (AAL)	Spirit Aero (SPR)
Tapestry (TPR)	General Electric (GE)	Toyota (TM)
JD.com (JD)	Apple (AAPL)	Smith & Nephew (SNN)
Ventas (VTR)	Ares Capital (ARCC)	Ares Capital (ARCC)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Western Digital (WDC)	Deutsche Bank (DB)	SPY, 4,173 September \$272/\$245 put spreads
Wayfair (W)	Roku (ROKU)	TPR, August \$32.50/\$27.50 bull risk reversal bought 4,000X
Knight Swift (KNX)	Kohls (KSS)	MSG, 300 December \$310/\$270 bull risk reversals
Arista Networks (ANET)	Cronos (CRON)	CNC, September \$50/\$42.50 put spread bought 5,000X
Costco (COST)	Tencent Music (TME)	ABMD, April \$300/\$320 call spreads bought 440X



## Stock Specific News and Media

China cuts subsidization for new energy cars in 2019 – Digitimes

**WeWork** Lenders Are Getting Cold Feet – Bloomberg

US-China trade war casts chill over LNG market – FT

**CITIC** mulls joint ventures to boost its smaller businesses - Nikkei

**Huawei** profit surge helps shake off US security concerns – Nikkei

China's top market regulator calls for crackdown on online ad content – Reuters

Elliott hikes stake in German 3D printer **SLM Solutions** to 29% - Reuters

**Albemarle (ALB)** affirms FY, sees Q1 below consensus due to volume shift

## Extras

**Goldman Sachs (GS)** roll of 1,000 January \$200 puts to January 2021 \$200 Puts

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Y/Y Growth	Notes
OXM	Oxford Industries	\$1.08	\$1.05	\$298.54	\$301.84	1.80%	
PRGS	Progress Software	\$0.50	\$0.47	\$89.50	\$87.64	-6.30%	FY Above
RH	RH	\$3.00	\$2.86	\$671.00	\$686.44	0.10%	FY Below
SAIC	Science Applications	\$1.17	\$0.86	\$1,192.00	\$1,172.72	5.70%	
SGH	SMART Global	\$0.77	\$0.75	\$304.10	\$317.27	-3.20%	

**RH – Beat on EPS but Revenue Missed** - Fiscal 2018 was an extraordinary year for Team RH. We generated record revenues in excess of \$2.5 billion, record GAAP operating margin of 11.5%, record adjusted operating margins of 12.1%, and industry leading ROIC of 27.8%. Our core RH business, which has historically tracked to stock market fluctuations, experienced a sales decline of approximately 10 points beginning the third week of December which persisted through the remainder of the fourth quarter leading to a \$13 million shortfall to the mid-point of our revised revenue guidance in December. Due to the continued weakness in our core business post the fourth quarter market volatility, the negative trends in the high end housing market, and our continued efforts to edit unprofitable and non-strategic businesses, we are moderating our fiscal 2019 net revenue outlook to \$2.585 billion to \$2.635 billion, representing growth of 3% to 5%. The 6 point reduction at the midpoint from our prior preliminary guidance is the result of a 3 point reduction due to the market volatility and negative trends in high end housing, plus a 3 point reduction as a result of editing unprofitable and non-strategic businesses, namely

the elimination of the remaining holiday business (1 point), the elimination of fringe promotions (1 point), and the transition of our rug business from a single source importer to a direct sourcing model (1 point).

**Earnings Before the Open**

<b>Ticker</b>	<b>Company</b>	<b>EPS Actual</b>	<b>EPS Estimate</b>	<b>Revs Actual</b>	<b>Revs Estimate</b>	<b>Y/Y Growth</b>	<b>Notes</b>
BB	BlackBerry	\$0.11	\$0.06	\$257.00	\$242.81	10.30%	
KMX	CarMax		\$1.03		\$4,364.85		