

## TOP STORIES

- Mnuchin: US, China Trade Talks in the Final Laps as Two Sides Meet
- Trump, Pelosi to Meet Tuesday to Discuss \$2T Infrastructure Plan
- Japan Pledges to Invest \$40B in US Car Factories
- Euro-Area Economic Confidence Slips to Lowest Since 2016

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2938.75 (-2.75)</b>	<b>-2.83</b>
<b>Nasdaq</b>	<b>7831.5 (-8.75)</b>	<b>-10.18</b>
<b>Dow</b>	<b>26495 (-22)</b>	<b>-28.33</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7418.33</b>	<b>-0.13%</b>
<b>DAX</b>	<b>12276.89</b>	<b>-0.31%</b>
<b>Nikkei</b>	<b>Closed - Holiday</b>	
<b>Hang Seng</b>	<b>29892.81</b>	<b>0.97%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Personal Income</b>	<b>0.3%</b>
<b>10:30</b>	<b>Dallas Fed Mfg</b>	<b>9.8</b>

## FOREX

<b>EUR/USD</b>	<b>1.1152 (0.04%)</b>
<b>USD/JPY</b>	<b>111.72 (0.13%)</b>
<b>USD/CAD</b>	<b>1.347 (0.13%)</b>
<b>GBP/USD</b>	<b>1.2921 (0.03%)</b>
<b>USD</b>	<b>97.76 (0.03%)</b>

## COMMODITY

<b>Oil</b>	<b>63.07 (-0.36%)</b>
<b>Natural Gas</b>	<b>2.577 (-0.12%)</b>
<b>Gold</b>	<b>1283 (-0.45%)</b>
<b>Copper</b>	<b>2.8785 (-0.28%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>12.73 (-3.92%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>15.79 (-4.24%)</b>
<b>Oil</b>	<b>OVX</b>	<b>31.24 (22.17%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>9.28 (-0.75%)</b>

## MARKET OUTLOOK

Futures are indicating a slightly lower open for the week ahead of a busy slate of earnings and renewed trade talks. USTR Lighthizer and Mnuchin are set to meet in Beijing tomorrow. Mnuchin said today that he expects needing just two more meetings to hammer out final details for a trade agreement. There are some reports that significant issues remain. Meanwhile, US and Japanese leadership met in DC this weekend with neither side giving up ground. Japan will invest \$40B in US car factories. It will be a busy week in Washington as well. POTUS is expected to meet with House Speaker Pelosi on Tuesday to discuss a new \$2T infrastructure plan. Both GOP and Democratic leadership are also pushing for changes to the USMCA agreement which has yet to be signed. Oil is extending losses from Friday after Trump's comments on OPEC. Gold is slightly weak.

Asian markets are rebounding a bit this morning after positive data out of China. Industrial profits rose in March by 13.9%, better than expected and rebounding from four months of contraction. China's blue chips led the rally, up 1%. Hong Kong imports and exports both rose slightly in March. Japan is closed on an extended holiday.

European markets are slightly lower in early trade. Spain's PM is set to regain power after defeating a strong push from right-wing nationalists. Eurozone business climate surveys came in light at 104 vs 105 expected in April. Industrial sentiment was worse than expected while Services sentiment was above. Italian Inflation rose slightly in March. **SMCP** rose 5% with the fashion company beating on revenues. Airline **SAS** fell 5% as a strike continued. **Bayer** fell 2% after a confidence vote for the CEO failed to garner enough support.

**Adobe (ADBE)** in focus today after being upgraded to Overweight at MSCO. The firm has a \$340 PT. The analyst says his field work, meetings with management and analysis of segment contribution margins have boosted his confidence in Adobe's ability to sustain EPS growth of over 20%, even if he assumes decelerating Digital Media growth.

## S&P TECHNICALS

**Levels:** Support 2,800/2,750; Resistance 2,950/3,000



5148 Advancing	Declining 2031
68.2%	26.9%
336 New High	New Low 81
80.6%	19.4%
4817 Above SMA50	Below 2708
64.0%	36.0%
4400 Above SMA200	Below 3126
58.5%	41.5%

**KEY EVENTS TO WATCH**

**Earnings After the Close:** AKS, GOOG, BRKS, CNI, CHGG, CLR, CR, ETH, PI, INST, JJSF, JBT, LNTH, LEG, LOGI, MEDP, MGM, MKSI, MOH, MUSA, NBIX, NXPI, OII, OMF, SBAC, THC, TXRH, RIG, WDC, WWD, YUMC

**Economic Data on Tuesday:** Employment Cost Index at 8:30 AM, Case-Schiller at 9:00, Chicago PMI at 9:45, Consumer Confidence at 10:00, Pending Home Sales at 10:00

**Earnings Tuesday BMO:** Earnings Before the Open: AOS, ARNC, BHGE, TECH, APRN, BP, EAT, CRI, CDK, CHTR, CNX, CVLT, COP, GLW, CRTO, CMI, DBD, ETN, ECL, LLY, EME, ECA, EEFT, FIS, FDC, FDP, GDI, GE, GM, GWR, THRM, GEO, HCA, HUBB, HUN, INCT, IR, I, KKR, LH, LDOS, LL, MLM, MA, MCD, MRK, NLSN, OSK, PCAR, PFE, PSX, R, SABR, SC, SHOP, SPG, TTS, WDR, WCG, WELL, WRK, WH, ZBRA

**ANALYST ACTION/COMMENTS**

**AbbVie (ABBV)** upgraded to Neutral at BMO Capital

**Colgate (CL)** upgraded to Neutral at JP Morgan

**Visteon (VC)** upgraded to Hold at Jefferies

**WPP** upgraded to Overweight at Barclays

**Target (TGT)** upgraded to Overweight at Barclays

**Sprouts Farmers (SFM)** upgraded to Buy at Deutsche Bank

**Republic Services (RSG)** upgraded to Buy at Stifel

**SAP** upgraded to Outperform at RBC

**Alliance Data (ADS)** upgraded to Neutral at Stephens

**Treehouse (THS)** upgraded to Outperform at Wells Fargo

**Noble (NBL)** upgraded to Overweight at JP Morgan

**AstraZeneca (AZN)** upgraded to Hold at Pareto

**Adobe (ADBE)** upgraded to Overweight at MSCO

**American (AAL)** upgraded to Buy at Deutsche Bank

**Novo Nordisk (NVO)** upgraded to Outperform at CSFB

**Franklin (BEN)** downgraded to Sell at Keefe Bruyette

**Grupo Financiero (GGAL)** cut to Sell at JP Morgan

**Occidental (OXY)** downgraded to Hold at Jefferies

**Lionsgate (LGF/A)** downgraded to Hold at Imperial

**3M (MMM)** downgraded to Hold at Gordon Haskett

**AmEx (AXP)** downgraded to Neutral at UBS

**MEDIA HIGHLIGHTS**

**Bayer** CEO loses confidence vote by investors -Bloomberg; Board 'unanimously stands behind' management after vote

**Gulf Air** in Talks With **Etihad Airways** to Deepen Partnership – Bloomberg

**Disney's (DIS)** 'Avengers' Record Sets Up Weekend Bonanza, Topping 'Star Wars' – Bloomberg

Drugmaker **Takeda (TAK)** to introduce value-based pricing in Europe – Nikkei

**Slack's** business is reliable. Its plan is risky. – Re/Code

Buffett's **Berkshire Hathaway (BRK/B)** moves into Dubai despite property slump – Reuters

Oil major **Total (TOT)** targets expansion in retail power market – Reuters

U.S. FDA approves expanded label for **Regeneron (REGN)**, **Sanofi's (SNY)** cholesterol drug – Reuters

Cloud Gathers Over Chip Makers – WSJ

Investors Search for Opportunity in Unloved Corner of Stock Market – Europe – WSJ

**Elanco (ELAN)** is going to have to learn some new tricks after **Aratana (PETX)** deal – WSJ

**Boeing (BA)** CEO to pitch 737 Max comeback - Reuters

Trump says Japan to invest \$40B in U.S. car factories (**F, GM, HMC, TM**) – Reuters

**Anadarko (APC)** to commence deal negotiations with **Occidental (OXY)** – Reuters

**Uber** to pitch Amazon-like growth story during IPO roadshow – NY Times

**Gardner Denver (GDI)** close to deal to combine with **Ingersoll-Rand (IR)** division - WSJ

**STOCK SPECIFIC NEWS OF NOTE**

**Costco (COST)** announces \$4B stock buyback

**Changyou.com (CYOU)** announces special cash dividend of \$9.40 / ADS

**Momo (MOMO)** Tantan mobile app removed from certain app stores by government direction

**Generac (GNRC)** acquires Pika Energy

EU accepts **Visa (V)**, **Mastercard (MA)** offer to cut non-EU card fees to end antitrust probe

### PRE-MARKET MOVERS

**Moving Higher:** SPOT 4%, SOGO 3%, TGT 2%

**Moving Lower:** MOMO -9%, OXY -2.5%, TOT -1.5%

### INSIDER TRADING (Form 4 Filings)

**Buying:** AMRS, CCI

**Selling:** COUP, EXEL, TDY, ZNGA, EW, FB, SWKS, NTRS, AXP, ILMN, TTEK, CDNS

### INSTITUTIONAL MONEY FLOW

**Buying:** AAPL, XOM, BA, CVX, HD, ILMN, WMT, LYB, OXY, NVDA, MRVL, FIS, CMG, ETN

**Selling:** AMZN, NFLX, V, DBX, SBUX, MSFT, CME, CNC, KO, EXC, RTN, LRCX, NOW, MAS

### OPTION HIGHLIGHTS (Prior Day)

**Knowles (KN)** stock pops with 5,000 September \$20 calls bought for \$1.05 to \$1.10 to open, more than 30X average calls. KN has 1,150 September \$17.50 calls in OI from buyers in March. Shares have been strong this year, riding the 20-EMA higher, and consolidating near recent highs after earnings this week. On a long-term view, shares are consolidating in a big base under \$20 since early 2016 with a breakout targeting \$30. The \$1.66B company trades 14.95X earnings, 2X sales, and 22.65X cash. KN is targeting 14.5% and 17.2% EPS growth and 6.3% and 9.8% revenue growth through the next two years. The company is coming off a strong quarter with upbeat demand for their Precision Devices and audio sales to China. They are also seeing better demand for microphone demand in IoT, a big emerging part of their mix. In mid-April, two funds (Caligan Partners and Falcon Edge) launched a proxy campaign pushing for a strategic review and potential sale of their PD segment. They also want changes to the board. KN reportedly hired JP Morgan to advise and receptive to the activist approach. Analysts have an average target for shares of \$17.50 with 3 buy ratings, 3 hold and 1 sell. Institutional ownership rose 33%. Caligan has 6M shares and Peregrine Capital a buyer of 609K shares. Shapiro Capital selling 4.9M shares. KN has seen a lot of smaller insider buys from their President of Intelligent Audio from \$16 to \$18. Short interest is 10.7% but near multi-year lows.

### AFTER HOURS MOVERS

**Gainers:**

**Losers:**

### MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.61	Flattening
CBOE Index Put/Call Ratio	1.08	Declining
CBOE Skew Index	126.29	Historically Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	72	Greed
NYMO	-9.98	Neutral
NYSE Highs/Lows	78.38	Negative Diverg w/ SPX
McClellan Summation	970.53	Below 8-EMA
Univ. of Michigan Consumer Sentiment	97.2 (April Final)	-1.6% Y/Y

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

### POTENTIAL SYMPATHY TRADES

**IMAX, DIS, AMC, MCS** – on near-record breaking opening weekend for Avengers

**MLM, VMC, USCR, FLR, JEC** – ahead of infrastructure meeting this week

### IPO MONITOR

**Beyond Meat (BYND)** issuing 8.8M shares at \$19-21; Maker of a plant-based meat products

**SciPlay (SCPL)** issuing 22M shares at \$14-\$16; Developer and publisher of digital games on mobile and web platforms

**So Young Int'l (SY)** issuing 13M shares at \$11.80-\$13; Online destination for discovering and reserving medical aesthetics in China

**TransMedics (TMDX)** issuing 4.7M shares at \$15-\$17; Commercial-stage medical tech company focused on organ transplant therapy

**Yunji (YJ)** issuing 13.5M shares at \$11-\$12; Leading social e-commerce platform in China

### SECONDARY MONITOR

# TRADE

## WEEKLY TECHNICAL BREAKOUT

### BABA:



**Alibaba (BABA)** shares are consolidating in a bull flag above the 20-EMA and under \$190. Shares have a target of \$202.50 while RSI and MACD have reset from overbought conditions and ready to run.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Eaton Vance (EV)

**Price:** \$42

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	12.27X	3.0X	4.5X	9.3X	24.9X
Industry Avg.	29.7X	2.1X	1.7X	6.7X	20X

**Analysis:** The \$4.8B company trades 12.27X earnings and 4.4X book with high-single digit growth and improving margins. EV has been adding new products while expanding their capital return. Fund flows are always the focus in the name but a beneficiary of the improved regulatory environment and could be active in M&A.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

### AA:



**Alcoa (AA)** shares are consolidating near new lows and under the 8-, 13- and 20-EMA last week. A breakdown under \$26 has room to \$22 while MACD and RSI have a lot of room below.

## PAIR TRADE OF THE WEEK

**Industry:** Personal Products

**Long/Short:** Long P&G (PG), Short Edgewell (EPC)

**Analysis:** PG is executing well on the organic growth side with strong cash generation despite a challenging environment. PG has focused their portfolio down to core products which is making it a more efficient operator. EPC has lagged in terms of sales growth while a more bloated roster of products is pressuring margins.

## SMALL CAP TRADE OF THE WEEK

**Mesa Labs (MLAB)** is a \$893M company which focuses on quality control instruments like data loggers for medical meters and dialysis machines. They also make sterilization controls like spore strips. MLAB is growing EPS at 20% and expected to earn \$8.60/share by FY21 with double-digit revenue growth.

# DAILY OPTIONS REPORT

## Unusual Call Activity

Knowles (KN)  
Kirby (KEX)  
Cenovus (CVE)  
Extended Stay (STAY)  
Outfront (OUT)  
Carbo Ceramics (CRR)

## Unusual Put Activity

Kirby (KEX)  
Digital Realty (DLR)  
Grupo Televisa (TV)  
Welbilt (WBT)  
Cyrus One (CONE)  
Martin Marietta (MLM)

## Implied Volatility Riser

Blue Apron (APRN)  
Clovis (CLVS)  
Stone Co (STNE)  
Tilray (TLRY)  
Target (TGT)  
Centene (CNC)

## Lowest Put/Call Ratio

Smith & Nephew (SNN)  
Textron (TXT)  
Commvault (CVLT)  
SRC Energy (SRCI)  
PBF Energy (PBF)  
Sierra Wireless (SWIR)

## Highest Put/Call Ratio

Nvent (NVT)  
Arcos Dorados (ARCO)  
Welbilt (WBT)  
Arcbest (ARCB)  
Colfax (CFX)  
Dicks Sporting Goods (DKS)

## Implied Volatility Decliner

Sprint (S)  
Grub Hub (GRUB)  
Mattel (MAT)  
Carbo (CRR)  
Shutterfly (SFLY)  
Sony (SNE)

## OTM Calls on Offer

Methanex (MEOH)  
Array Bio (ARRY)  
DR Horton (DHI)  
Carvana (CVNA)  
Texas Instruments (TXN)

## OTM Puts on Offer

YPF SA (YPF)  
Oracle (ORCL)  
PayPal (PYPL)  
IQIYI (IQ)  
Gilead (GILD)

## Elevated IV30

Intra-Cellular (ITCI)  
Assembly (ASMB)  
Health Insurance (HIIQ)  
Heron Therapeutics (HRTX)  
Cara Therapeutics (CARA)

## Positive Net Delta

Ford Motor (F)  
Microsoft (MSFT)  
Intel (INTC)  
Amazon (AMZN)  
American Air (AAL)

## Negative Net Delta

ConAgra (CAG)  
Halliburton (HAL)  
Apple (AAPL)  
Alcoa (AA)  
Visa (V)

## Option Volume Gainers (%)

Kirby (KEX)  
Digital Realty (DLR)  
Grupo Televisa (TV)  
Outfront (OUT)  
Carbo Ceramics (CRR)

## Bullish Call Flow

Amarin (AMRN)  
Array (ARRY)  
Canadian Pacific (CP)  
Knowles (KN)  
Advanced Micro (AMD)

## Bearish Put Flow

Edwards (EW)  
Dicks Sporting (DKS)  
Zimmer Bio (ZBH)  
Welbilt (WBT)  
Mohawk (MHK)

## Large Spread Trades

IWM, 4,000 July \$159/\$167 call spreads  
FANG, Jun \$115/\$130 call spread bought 525X  
INT, June \$30/\$25 put spread is bought 1400X  
INGN, 1,000 June \$90/\$110 call spreads  
MCHP, 1,000 May \$100/\$95 strangles bought



### Stock Specific News

Niche cosmetics brands see huge growth driven by millennial buyers, WSJ

**Deutsche Bank (DB)** chairman defends investment bank turnaround plan - FT

**E-Trade (ETFC)** prepares to offer cryptocurrency trading, Bloomberg

Barron's positive on **D, CVX, BKNG, GOOG, CTSH, EL, HAS, MSFT, AMC**; cautious on **ZM**

**PG&E (PCG)** aims to cut off power to large number of residents to prevent wildfires. WSJ

**Boeing (BA)** did not tell **Southwest (LUV)** that certain 737 Max safety features were deactivated. WSJ

**Roche's** cancer franchise is expected to shrink over next few years. WSJ

NY AG is investigating NRA (**AOBC, RGR**). NY Times

China swine fever has created opportunity for US meat companies (**TSN, SAFM, HRL**). WSJ

**Allianz Global** Sees Signs of Green Shoots in Euro-Zone Economy – Bloomberg

**Philips** Sees Growing Demand for E-Toothbrushes – Bloomberg

**Pioneer Natural (PXD)** in discussions to sell Eagle Ford JV – Reuters

**Marriott (MAR)** To Take On AirBnb In Booming Home-Rental Market - WSJ

**Autoliv (ALV)** downgraded to Neutral at Nordea

**Monotype (TYPE)** downgraded to Neutral at B Riley

**Alarm (ALRM)** downgraded to Neutral at Roth Capital

**Coherent (COHR)** downgraded to Neutral at Susquehanna

**Universal Display (OLED)** downgraded to Neutral a Susquehanna

**Cognizant (CTSH)** downgraded to Sell at MSCO

**Iovance (IOVA)** initiated Overweight at Piper

**Silk Road (SILK)** initiated Outperform at BMO

**Merck (MRK), AstraZeneca's (AZN)** Lynparza granted positive EU opinion in ovarian cancer

**Parker-Hannifin (PH)** to acquire LORD Corporation for approx. \$3.675B in cash

**AMC Theatres (AMC)** set new single-day U.S. attendance record on Saturday

The Trump Administration plans to stop administering multi-state insurance plans in the Affordable Care Act (**XLV**). Axios

### Extras

**Tapestry (TPR)** buyer of 1,500 June 7th (W) \$32/\$30 put spreads with earnings on 5-9

**Clovis (CLVS)** big jump in IV late as 1,650 May \$21 calls being bought \$0.95 up to \$1

**Urban Outfitters (URBN)** buyer of 3,000 May 24th (W) \$29.50/\$33 call spreads late for \$1.20, targeting earnings on 5-21 and recent talk of a spinoff

**Martin Marietta (MLM)** spread sells the May \$230 calls to buy the \$210/\$200 put spread 3,000X, likely collaring stock and similar to the VMC spread yesterday

**Carvana (CVNA)** afternoon buyers of the May \$75/\$55 bull risk reversal for \$2.30

**Dine Equity (DIN)** buyer of 1,000 May \$85/\$75 put spreads for \$1.15

**Dexcom (DXCM)** buyers of 300 June \$125 calls this afternoon for \$8.10 up to \$8.80

**Elastic (ESTC)** buyers of 1,225 May \$90 calls for \$1.90 to \$2.30 today, recent put sales

**Fiserv (FISV)** buyers of 2,000 June \$90 calls up to \$1.20

**Chart Industries (GTLS)** buyer of 400 June \$85 calls for \$5.80 to \$6

**IPG Photonics (IPGP)** buyers of 280 May \$175 calls for \$7.00 to \$8.80

**Kellogg (K)** buyer of 800 January 2021 \$60 calls for \$5.80 to \$6.50

**Molina (MOH)** buyer of the September \$125/\$150 call spread 150X for \$9.38

**Okta (OKTA)** buyers of 600 OTM June \$120 calls for \$2.70 to \$3.10

**Spotify (SPOT)** the July \$165/\$180 call spread bought 2,000X for \$1.79

**Allergan (AGN)** buyers of 2,400 May 3<sup>rd</sup> (W) \$147 calls in the afternoon up to \$1.80

**NXP Semi (NXPI)** earnings on 4-29 and the weekly \$100/\$105/\$110 call butterfly bought 500X1,000

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth %	Notes
AWI	Armstrong World Industries	\$1.10	\$0.94	\$242.10	\$247.38	6.50%	FY In Line
CYOU	<a href="http://Changyou.com">Changyou.com</a>	\$0.69	\$0.50	\$123.31	\$114.15	-10.10%	
CTB	Cooper Tire	\$0.14	\$0.19	\$619.20	\$608.14	2.90%	
DO	Diamond Offshore	-\$0.53	-\$0.59	\$223.50	\$231.90	-24.40%	
DORM	Dorman Products	\$0.79	\$1.00	\$243.80	\$248.09	7.30%	
NSP	Insperity	\$1.98	\$1.88	\$1,153.01	\$1,163.12	13.70%	FY In Line
KMPR	Kemper	\$1.50	\$1.38	\$1,236.30	\$1,162.33	78.40%	
MDR	McDermott	\$0.02	\$0.10	\$2,211.00	\$2,179.15	263.70%	
ON	ON Semiconductor	\$0.43	\$0.39	\$1,386.60	\$1,386.60	0.70%	Q2 Below
QSR	Restaurant Brands Int'l	\$0.55	\$0.58	\$1,266.00	\$1,270.09	1.00%	
SOGO	Sogou	-\$0.01	\$0.00	\$252.72	\$238.90	1.70%	Q2 Above
SOHU	<a href="http://Sohu.com">Sohu.com</a>	-\$1.39	-\$1.47	\$431.38	\$404.96	-5.20%	
SPOT	Spotify	-\$0.79	-\$0.44	\$1,511.00	\$1,465.97	32.70%	
VNE	Veoneer	-\$1.57	-\$1.18	\$494.00	\$521.59	-16.80%	