

**TOP STORIES**

- Global Markets Fall as US/China Trade Talks Heading for Stalemate
- USTR Begins Process to Add Additional \$300B in Tariffs on China
- Trump: “China Will be Hurt Very Badly If You Don’t Make a Deal”
- China says It Will Never Surrender Amid Trade Pressure
- UK PM May Under Renewed Pressure to Resign Amid Brexit Mess
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**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2851.25 (-35.75)</b>	<b>-31.35</b>
<b>Nasdaq</b>	<b>7484.5 (-125.75)</b>	<b>-113.03</b>
<b>Dow</b>	<b>25654 (-310)</b>	<b>-280.37</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7194.17</b>	<b>-0.13%</b>
<b>DAX</b>	<b>11971.99</b>	<b>-0.73%</b>
<b>Nikkei</b>	<b>21191.28</b>	<b>-0.72%</b>
<b>Hang Seng</b>	<b>Closed - Holiday</b>	

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>9:05</b>	<b>Eric Rosengren Speaks</b>	
<b>9:10</b>	<b>Richard Clarida Speaks</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1234 (0.01%)</b>
<b>USD/JPY</b>	<b>109.64 (-0.27%)</b>
<b>USD/CAD</b>	<b>1.3436 (0.18%)</b>
<b>GBP/USD</b>	<b>1.3023 (0.18%)</b>
<b>USD</b>	<b>97.07 (-0.06%)</b>

**COMMODITY**

<b>Oil</b>	<b>62.43 (1.25%)</b>
<b>Natural Gas</b>	<b>2.611 (-0.31%)</b>
<b>Gold</b>	<b>1284.2 (-0.25%)</b>
<b>Copper</b>	<b>2.742 (-1.17%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>16.04 (-16.02%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.10 (-13.3%)</b>
<b>Oil</b>	<b>OVX</b>	<b>32.8 (0.99%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>9.33 (-6.33%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning as trade talks head towards a stalemate. The two sides are stepping up their war of words this morning after talks collapsed late last week. China has pointed the finger at POTUS for breaking the deal. The US is preparing tariffs on another \$300B in China imports while Beijing is preparing retaliation as well. Grains are slumping as POTUS has said that he'll support US farmers who fear that recent deal concerns will slow purchases of soybeans and other commodities. The US has reportedly given China one month to make a deal. The two sides could meet at the G20 in June where both POTUS and Xi will attend. Economic Advisor Larry Kudlow acknowledged on Sunday that the Chinese do not directly pay tariffs on goods coming into the US, contradicting the President.

Asian markets are lower to start the week with the Nikkei down 1%. Trade remains the focus and this morning's losses are not nearly as sharp as last year when tariffs were first imposed. The yuan weakened sharply as offshore yuan crossed 6.9/USD. Chinese markets gave back some of Friday's gains and Shanghai now down almost 6% for the month. It was a quiet night for data. Japanese leading index fell slightly in recent readings to 96.3 vs 96.4. Shippers and machinery stocks feeling the worst today including **Kisen** down 2%, **Yaskawa Electric** down 3.5% and Deere-competitor **Komatsu** down 2%.

European markets are down in early trading and extending last week's slump which was the worst of 2019. Autos are underperforming as both tariffs and **Daimler** weighs on the group. BAIC has signaled that it is looking to buy a 5% stake in the company. **ThyssenKrupp** is down 6% after it announced it was looking for partners for its steel ops after leaving merger talks with Tata Steel. **Vodafone** weighed down telecom today. The company is slashing their dividend to pay for 5G auctions. **Novartis** down 1% after a small recall.

**S&P TECHNICALS**

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



4559 Advancing	Declining 2652
60.1%	35.0%
138 New High	New Low 181
43.3%	56.7%
3833 Above SMA50	Below 3730
50.7%	49.3%
4027 Above SMA200	Below 3536
53.2%	46.8%

**KEY EVENTS TO WATCH**

**Earnings AMC:** BILI, IMMR, KRNT, LM, MIME, STNE, TTWO, TME

**Conferences:** Nomura Gaming & Leisure (ERI, BYD, CZR, STAY, GLPI, HGV, HST, MAR, VAC, MGM, NCLH, PENN, RRR, RCL, WYNN, WH)

**Investor Day:** ATGE

**Economic Data on Tuesday:** NFIB Small Business Optimism at 6:00 AM, Import/Export at 8:30, Esther George Speaks at 12:45

**Int'l Earnings on Tuesday:** Allianz, Engie, Thyssenkrupp, Lanxess, Eutelsat, K+S, Ferragamo

**Earnings BMO Tuesday:** AZZ, BEST, CYBR, GDS, RL, TAK

**ANALYST ACTION/COMMENTS**

**Becton (BDX)** upgraded to Overweight at Barclays

**Boston Sci. (BSX)** upgraded to Outperform at Evercore ISI

**California Resources Corp (CRC)** upgraded to Outperform at Raymond James

**KB Home (KBH)** upgraded to Overweight at Barclays

**Taylor Morrison (TMHC)** raised to Buy at Wedbush

**JD.com (JD)** upgraded to Buy at CICC

**Blue Bird (BLBD)** upgraded to Buy at Stifel

**Texas Roadhouse (TXRH)** raised to Outperform at Baird

**Bausch Health (BHC)** upgraded to Neutral at JP Morgan

**PTC Therapeutics (PTCT)** upgraded to Buy at BAML

**Ameriprise (AMP)** upgraded to Outperform at CSFB

**Alarm.com (ALRM)** downgraded to Hold at Jefferies

**Church & Dwight (CHD)** cut to Neutral at Atlantic

**Shopify (SHOP)** downgraded to Neutral at Guggenheim

**Aravive (ARAV)** initiated Overweight at Piper

**Pinterest (PINS)** initiated Buy at Citi

**Palomar (PLMR)** initiated Buy at Sun Trust, \$27 PT

**Wendy's (WEN)** initiated Overweight at Piper, \$22 PT

**Wingstop (WING)** initiated Overweight at Piper, \$88 PT

**Zoom (ZM)** initiated Overweight at JP Morgan, \$115 PT

**MEDIA HIGHLIGHTS**

**Natura** denies report of loan for **Avon Products (AVP)** buyout - Bloomberg

**Goldman Sachs (GS)** near deal to acquire United Capital for \$700M - WSJ

**Wells Fargo (WFC)** CEO hunt impeded by pay limitations – Reuters

Over 40 states file suit against generic drugmakers over price fixing (**TEVA, PRGO**) – CBS

**SoftBank** to invest \$800M in **Greensill** - Bloomberg

**Amazon's (AMZN)** size might become a problem - WSJ

Trade tensions threaten to throw **Apple (AAPL)** back into global trade battle – WSJ

Hospitals want medical device companies to improve cyber defenses (**ALGN, DXCM, BSX, MDT**). WSJ

**Vodafone (VOD)** aims to cut dividend to pay for 5G investments. Sunday Times UK

**Victoria's Secret's (LB)** annual fashion show to leave network television - WSJ

**Boeing (BA)** sees changes to safety certifications after 737 MAX disasters - FT

**Citi (C)** betting big on digital banking efforts - WSJ

**Walmart (WMT), Target (TGT)** quietly consider CBD product lines - NY Post

**Amazon (AMZN)** implements machines to box up orders, replace jobs - Reuters

**Nissan** continues to oppose **Renault's** renewed push to merge - Bloomberg

**Charter (CHTR)** to launch original shows in effort to retain subscribers - WSJ

**STOCK SPECIFIC NEWS OF NOTE**

**Boston Scientific (BSX)** reports 'acute' results from UNTOUCHED study

**Bristow Group (BRS)** commences voluntary Chapter 11 proceedings

**Medtronic (MDT)** announces results from pilot study of EV ICD system

**Anadarko (APC)** announces LNG sale, purchase agreement with JERA, CPC

**Toshiba** plans to replace majority of board, add international business execs

**PRE-MARKET MOVERS**

**Moving Higher:**

**Moving Lower:** TEVA -8.6%, VOD -6%, JMIA -5.5%, UBER -4%, MU -2.5%, BABA -2%, FCX -2%, AMD -2.5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** BX, MGM, KOP, TDW, MOS, FOE, Y, MMM, OLN, STRL, MKC, MOS, STT

**Selling:** HPP, EXEL, GHDX, FB, BLDR, FIVN, SWKS, HCA, ATH, FGEN, AMH, ILMN, KN, SBAC, PI

**INSTITUTIONAL MONEY FLOW**

**Buying:**

**Selling:**

**OPTION HIGHLIGHTS (Prior Day)**

**McCormick (MKC)** trading 6X average calls today with 2,600 June \$155 calls bought up to \$4.20 to open today, shares bouncing off the early lows. MKC had buyers in the May \$155 calls earlier this week and the Jun \$140 and September \$140 calls with buyers in April. Shares are trading in a narrow bull flag under \$155 and above the 20-EMA with the December highs in focus. A breakout targets \$160 near-term but the longer-term measured target is around \$180. MACD has pulled back to zero and RSI remains strong, ready to run. The \$20.20B company trades 27.3X earnings, 3.75X sales, and 40X FCF with a 1.5% yield. MKC is targeting 7.8% and 8.6% EPS growth with topline growth of 3.2%. The company is coming off a strong quarter with better volume and pricing in consumer seasonings as well as flavor solutions. They're continuing to gain shelf space with new products and marketing spend on emerging products like Frank's Red Hot. In 2018, the company acquired Reckitt Benckiser's food division which expanded their product portfolio. The \$4.2B deal is expected to be significantly accretive to margins. Analysts have an average target for shares of \$126.5 with 3 buy ratings and 6 hold ratings. Short interest is 7% but down from 8% earlier this year. Institutional ownership rose 11.25%. Point72 a new buyer of shares. Deutsche Bank upgrading to Neutral in January and Consumer Edge up to Overweight. CSFB has a \$130 PT for shares.

**AFTER HOURS MOVERS**

**Gainers:**

**Losers:**

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.62	Rising
CBOE Index Put/Call Ratio	1.12	Rising
CBOE Skew Index	118.54	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	44	Fear
NYMO	-33.23	Neutral
NYSE Highs/Lows	74.11	Weakening
McClellan Summation	726.78	Below 8-EMA
Univ. of Michigan Consumer Sentiment	97.2 (April Final)	-1.6% Y/Y

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

Point72 Asset Management reports 5.4% passive stake in **Intersect ENT (XENT)**

**POTENTIAL SYMPATHY TRADES**

TEVA, MNK, MYL, ENDP, PRGO, NVS, PFE, SNY – on price fixing suit

**IPO MONITOR**

**Avantor (AVTR)** issuing 154M shares at \$18-\$21; Provider of materials, consumables, equipment, and instrumentation to biopharma, healthcare, education and government

**Bricktown (BEER)** issuing 1.9M shares at \$7-\$9; Bricktown Brewery and Bricktown Tap House and Kitchen

**ConversionPoint (CPTI)** issuing 6.2M shares at \$6-\$7; Software developer that helps e-commerce companies convert, manage and re-engage customers using data analytics

**Fastly (FSLY)** issuing 11.3M shares at \$14-\$16; Developer of edge cloud platform helping developers deliver digital capabilities

**Luckin Coffee (LK)** issuing 30M shares at \$15-\$17; China's second largest coffee chain in terms of number of stores

# TRADE

## WEEKLY TECHNICAL BREAKOUT

PEP:



**Pepsi (PEP)** shares are consolidating in a bull flag under \$128.50 with a breakout targeting \$131+ while longer-term momentum targets \$140. MACD is nearing a bull cross while RSI is back above 60.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Curtiss Wright (CW)

**Price:** \$115

**Valuation:** Undervalued

**Key Ratios:**

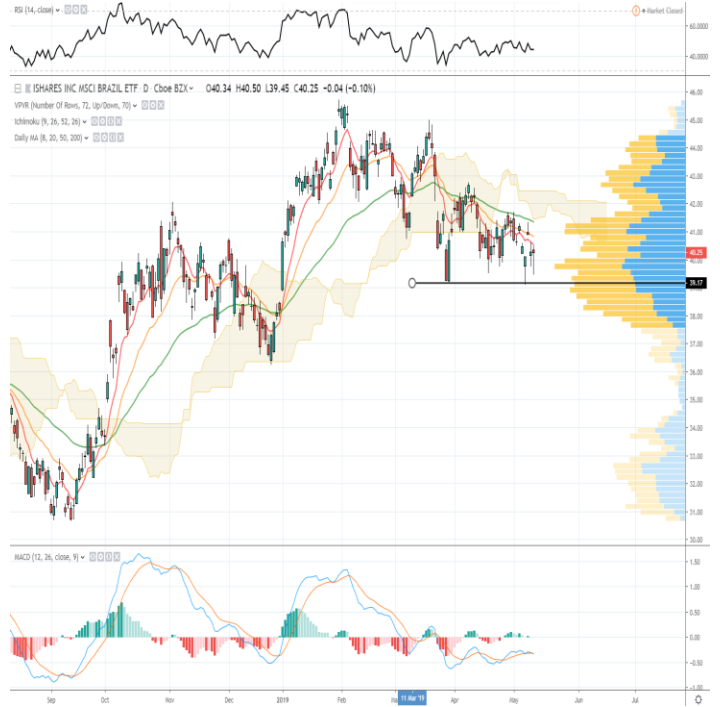
	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>15.3X</b>	<b>2.1X</b>	<b>3.1X</b>	<b>11.1X</b>	<b>17.2X</b>
<b>Industry Avg.</b>	<b>31.8X</b>	<b>1.6X</b>	<b>3.3X</b>	<b>13.7X</b>	<b>25.3X</b>

**Analysis:** CW is a \$4.93B provider of components and other engineered products for aerospace and defense markets like valves and utility systems. Shares trade cheap at 15.3X earnings and 2X sales with high-single digit growth. CW has made some acquisitions recently which position it for upside including last year's deal for Dresser Rand's government business and a partnership with Honeywell in February.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

EWZ:



**Brazil (EWZ)** shares are forming a bear flag above \$39 and the 200-EMA with a breakdown targeting \$36. MACD is back at zero after an extended move lower and RSI is weak but not oversold. Shares are forming a series of lower highs since January.

## PAIR TRADE OF THE WEEK

**Industry:** Apparel

**Long/Short:** Long Ross Stores (ROST), Short Abercrombie (ANF)

**Analysis:** ROST is attractive on valuation with double-digit growth and recovering strong from a Q1 misstep on inventory, a self-help issue. ANF trades expensive at 17.5X earnings with growth slowing < 1% over the next five years. ANF has risk from higher promotions which are hurting margins, despite strong SSS.

## SMALL CAP TRADE OF THE WEEK

**Atrion (ATRI)** is a \$1.63B company which focuses on niche areas of med-tech like fluid delivery products and cardiovascular and ophthalmology applications. Shares trade 10.7X sales and a steady earnings performer. The company is investing in their manufacturing capacity to support higher demand and recently outlined plans to add 50% to their existing output.

## DAILY OPTIONS REPORT

### Unusual Call Activity

Welltower (WELL)

Tivo (TIVO)

Avaya (AVYA)

Paccar (PCAR)

PRA Health (PRAH)

Total System (TSS)

### Unusual Put Activity

Paccar (PCAR)

Care.com (CRCM)

PRA Health (PRAH)

CarGurus (CARG)

Global Payments (GPN)

Nevro (NVRO)

### Implied Volatility Riser

Catalyst Pharma (CPRX)

Cara Therapeutics (CARA)

Avaya (AVYA)

Immersion (IMMR)

Laredo (LPI)

At Home (HOME)

### Lowest Put/Call Ratio

Liberty (LBTYK)

USA Tech (USAT)

Immersion (IMMR)

Welltower (WELL)

AMAG Pharma (AMAG)

Crown (CCK)

### Highest Put/Call Ratio

Spectrum Pharma (SPPI)

Martin Marietta (MLM)

Cooper Tire (CTB)

CDK Global (CDK)

Callon Petrol (CPE)

Dean Foods (DF)

### Implied Volatility Decliner

Braskem (BAK)

Zillow (ZG)

Fibrogen (FGEN)

Uniti (UNIT)

Nevro (NVRO)

Sonos (SONO)

### OTM Calls on Offer

Encana (ECA)

PRA Health (PRAH)

Liberty (LBTYK)

Beyond Meat (BYND)

Go Pro (GPRO)

### OTM Puts on Offer

Car Gurus (CARG)

Uniti (UNIT)

Ford Motor (F)

Box (BOX)

Avon Products (AVP)

### Elevated IV30

Cara Therapeutics (CARA)

Assembly (ASMB)

Intra-Cellular (ITCI)

Jumia (JMIA)

Athenex (ATNX)

### Positive Net Delta

GE

Go Pro (GPRO)

eBay (EBAY)

Synaptics (SYNA)

AT&T (T)

### Negative Net Delta

Apple (AAPL)

Bank of America (BAC)

Tesla (TSLA)

Avon Products (AVP)

Hecla (HL)

### Option Volume Gainers (%)

Paccar (PCAR)

Care.com (CRCM)

PRA Health (PRAH)

Avaya (AVYA)

Total System (TSS)

### Bullish Call Flow

Cheniere (LNG)

Scientific Games (SGMS)

Intercept (ICPT)

AstraZeneca (AZN)

Paychex (PAYX)

### Bearish Put Flow

Take-Two (TTWO)

Jumia (JMIA)

Apple (AAPL)

Abercrombie (ANF)

Olin (OLN)

### Large Spread Trades

HYG, August \$85/\$82 put spread bought 60,000X

DIS, September \$140/\$150 call ratio spreads bought 1500X3000

PII, 1,000 June \$90/\$105 call spreads

HRB, 1,250 October \$30/\$25 strangles bought

FLXN, June \$12.50/\$10 bull risk reversal bought 2,000X

## Stock Specific News and Media

EU Trade Commissioner expects May 18 auto tariff deadline to be delayed (**FCAU, F, GM**). Reuters  
**Colfax (CFX)** nearing deal to sell air and gas unit to KPS Capital Partners for more than \$1.8B. Reuters  
**Unilever (UN, UL)** considering bid for skincare brand Drunk Elephant. Telegraph  
**Weatherford (WFT)** plans to restructure through Chapter 11  
BAIC Group aims to purchase 5% stake in **Daimler** – Reuters  
**Himax (HIMX)** likely to stay unprofitable in 2Q19 – Digitimes  
PE firm BC Partners sells majority stake in **Acuris** to Ireland's **ION** – Reuters  
Chinese group to delay bailout funding for Apple supplier **Japan Display** – Reuters  
China auto sales fall 14.6% on year in April, 10th month of decline – Reuters  
**Euronext** wins clearance from Norway govt to buy **Oslo Bors** – Reuters  
**Tesla (TSLA)** running out of cash, time – WSJ  
**Fonterra** to sell Tip Top ice cream business to **Froneri** for \$250.3M – Reuters  
Barron's positive on **UPS, JBHT, AMZN, TSLA, BABA**; cautious on **UBER, BF/B, MGPI, FB**  
**Nielsen (NLSN)** moves back final bid deadline, lowers asking price – NY Post  
**Jumia (JMIA)** misses on revenues, €31.8M vs €34.7M

## Extras

**Amag Pharma (AMAG)** buyers of 1,000 August \$12 calls up to \$1.50  
**Ambarella (AMBA)** over 1,000 June \$50 calls bought up to \$2.60  
**Blackstone (BX)** spread sells 3,500 September \$42 calls to buy the \$37/\$31 put spread  
**Ciena (CIEN)** buyers of 2,350 May \$35.50 puts up to \$1.05  
**Emerson (EMR)** with 14,000 May \$68 calls bought up to \$0.30  
**Global Payments (GPN)** with 1,600 June \$135 puts sold to open down to \$1  
**Sleep Number (SNBR)** the June \$34/\$48 call spread bought 500X  
**Realogy (RLGY)** another 10,000 January \$7.50 puts bought today for \$1.30 to \$1.35, looks to be adding to size buys last week  
**BioCryst (BCRX)** with the June \$8/\$14 call spread bought for \$1.80 in a stock replacement today, 1500X, and also seeing the \$9/\$12 call spread trade 2,500X into key data