

TOP STORIES

- Euro Weakens as Eurozone, German Manufacturing Surveys Fall Again
- German IFO Business Climate Index Drop in May, Big Miss on Trade Fears
- PM May's Brexit Bill Delayed
- Japanese Manufacturing Turns Negative in May on Trade Fears

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2832.75 (-24.75)	-24.77
Nasdaq	7342 (-88)	-88.16
Dow	25549 (-222)	-220.61

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7227.58	-1.45%
DAX	11951.16	-1.79%
Nikkei	21151.14	-0.62%
Hang Seng	27267.13	-1.58%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Weekly Claims	215K
9:45	PMI Composite Flash	52.4
10:00	New Home Sales	680K
10:30	EIA Nat Gas	
11:00	KC Fed Mfg.	6
1:00	Robert Kaplan, Tom Barkin, Mary Daly, Raphael Bostic Speaks	

FOREX

EUR/USD	1.1136 (-0.14%)
USD/JPY	110.07 (-0.24%)
USD/CAD	1.3461 (0.25%)
GBP/USD	1.2644 (-0.13%)
USD	98.07 (0.19%)

COMMODITY

Oil	60.49 (-1.51%)
Natural Gas	2.552 (0.35%)
Gold	1276.9 (0.21%)
Copper	2.6625 (-0.58%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	14.82 (-0.87%)
Nasdaq	VXN	19.88 (1.53%)
Oil	OVX	28.19 (4.68%)
Gold	GVZ	9.04 (0.56%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning with US/China trade talks continuing to sour and weigh on sentiment. The US's latest talks of targeting Chinese surveillance companies has led to concerns that US companies like Apple or Boeing could be specifically targeted next. Many places like Goldman, Nomura, and JP Morgan are now pricing in a longer trade war as a base case. Top Chinese analysts see the fight between the two lasting until 2035. Meanwhile, PMI data out of Japan and Europe came in weak this morning. Germany continues to be a weak spot down again to 44.3. PM May is barely hanging on in the UK after her Brexit bill was delayed. Senior leadership resigned yesterday as momentum picks up for May herself to resign soon.

Asian markets were weak across the board this morning with the Chinese markets down over 1.5%. Tech was hit hard with the US reportedly moving on bans for three more companies in the region. Japanese manufacturing PMI came in light at 49.6 vs 50.5 forecast. This is back in contraction territory after one month of gains in May. **Softbank** fell over 5% with the Sprint/TMUS headlines out of the DOJ. **TDK** fell 6.5%. **Sony** was lower by 3.5%. **Daiichi Sankyo** fell 1.5% after reports it was looking to sell its OTC business. Discount clothing store **Nishimatsuya** jumped 3% on strong SSS.

European markets are getting hit hard this morning with the DAX leading down over 1.75%. Autos were noticeably weak. Eurozone manufacturing PMI fell to 47.7 vs 48.1 in May while Services PMI also fell to 52.5 vs 53. German manufacturing hit 44.3 and Services was a 55, both below forecasts. German GDP was 0.6% in Q1, in line. IFO sentiment weakened in the latest reading as businesses become more cautious. **Merlin** jumped 4.5% after activist Value Act urged the company to consider going private.

S&P TECHNICALS

Levels: Support 2,800/2,750; Resistance 2,900/2,950



2310 Advancing	Declining 4856
30.4%	63.8%
149 New High	New Low 207
41.9%	58.1%
2982 Above SMA50	Below 4602
39.3%	60.7%
3693 Above SMA200	Below 3891
48.7%	51.3%

KEY EVENTS TO WATCH

Earnings After the Close: ADSK, DECK, DXC, HPE, HPQ, INTU, LGF/A, ROST, SPLK, VSAT

Analyst Days: MU (strategy outlook AMC)

Economic Data on Friday: Durable Goods at 8:30 AM

Earnings Before the Open: BKE, FL, HIBB

ANALYST ACTION/COMMENTS

Appian (APPN) upgraded to Equal-Weight at MSCO

Booking Holdings (BKNG) upgraded to Buy at Citigroup

CenturyLink (CTL) upgraded to Neutral at Guggenheim

HEICO (HEI) upgraded to Outperform at Baird

Hexcel (HXL) upgraded to Neutral at UBS

Philip Morris (PM) upgraded to Equal Weight at Barclays

PROS Holdings (PRO) upgraded to Buy at Stifel

Target (TGT) upgraded to Overweight at JP Morgan

Gilead (GILD), Amgen (AMGN) upgraded to Buy at Citi

HSBC upgraded to Buy at Goldman

Axis Capital (AXS) upgraded to Buy at UBS, \$67 PT

Atlassian (TEAM) upgraded to Neutral at MSCO

Bloomin' Brands (BLMN) downgraded to Underperform at BMO Capital

Chipotle Mexican Grill (CMG) downgraded to Underperform at BMO Capital

Expedia (EXPE) downgraded to Neutral at Citigroup

Qualcomm (QCOM) downgraded to Neutral at Mizuho

NetApp (NTAP) downgraded to Buy at Goldman

Steel Dynamics (STLD) downgraded to Neutral at CSFB

AK Steel (AKS) downgraded to Sell at CSFB, \$1 PT

Cloudera (CLDR) downgraded to Neutral at Wells Fargo

Concrete Pumping (BBCP) initiated with a Buy at Stifel

Uber (UBER) initiated with a Buy at New Street

U.S. Well Services (USWS) initiated with a Buy at Seaport

Vertex Pharma (VRTX) resumed with a Buy at Citigroup

MEDIA HIGHLIGHTS

U.S opens antitrust investigation of U.S. real estate industry (**Z, RDFN**) - Bloomberg

PG&E (PCG) to remain in control of bankruptcy until September 29, WSJ

Novartis (NVS) CEO sees Zolgensma price 'far lower' than \$4M-\$5M range, Reuters

Daiichi Sankyo in talks to sell over-the-counter drug business - Bloomberg

HollyFrontier (HFC) to shut plants in Tulsa because of area flooding - Bloomberg

Daimler announces major cost review - Reuters

ARM tells staff to suspend business with **Huawei** - BBC

FAA chief says U.S. won't rush **Boeing (BA)** 737 MAX back to flight - FT

Moody's downgrades **Equifax (EFX)** due to cyber-attack risk - CNBC

Deutsche Bank (DB) CEO 'prepared to make tough cutbacks' - Reuters

Insurers, car dealers pushback on **General Motors (GM)** U.S. self-driving car plan - Reuters

BP aiming to sell stake in Dragon Oil for over \$600M. Reuters

IBM to commercialize quantum computers in 3-5 years – Digitimes

U.S. Activist Pushes Legoland Operator **Merlin** to Go Private – Bloomberg

Amazon (AMZN) Is Working on a Wearable Device That Reads Human Emotions - Bloomberg

STOCK SPECIFIC NEWS OF NOTE

Whirlpool (WHR) reaffirms 2019 guidance, looks for ROIC of 12-14% in long-term

Natura confirms **Avon Products (AVP)** deal with combined group's enterprise value \$11B

Dentsply Sirona (XRAY) CFO Alexos to leave company

Nestle, Fonterra to review strategic options for DPA Brazil joint venture

Thermo Fisher (TMO) raises medium term organic growth outlook to 5%-7%

Advanced Drainage (WMS) declares special cash dividend

PRE-MARKET MOVERS

Moving Higher: BBY 3.3%

Moving Lower: WB -10%, NTAP -8.6%, LK -5.5%, MOMO -4%, TSLA -4%, SNAP -3.5%

INSIDER TRADING (Form 4 Filings)

Buying: WAB, BG, M, KLIC, HAIN, XON

Selling: HON, ABC, NVR, LOGM, ETN, NEWR, ALE, PGTI, XEL, Y, KMB, MORN, FMC, CME

POTENTIAL SYMPATHY TRADES

PSTG, STX, WDC – on NTAP earnings

BSX, GMED, ISRG, SYK, ZBH – on MDT earnings

OPTION HIGHLIGHTS (Prior Day)

Petrobras (PBR) buyer of 5,000 October \$15 calls for \$1.02 to \$1.10 and also 10,000 November \$15 calls bought \$1.31 with shares seeing some intraday momentum. PBR has seen buyers recently in the July \$14 calls, October \$18 calls, and November \$15 calls with short puts opening across October. Shares have pulled back to weekly cloud support where they're finding support this week and forming a series of higher lows since mid-2018. PBR is flagging on the monthly in a long channel upwards from the 2016 lows which targets \$20. The \$89.8B company trades 7.43X earnings, 1.02X sales, and 7.35X FCF with a small yield. PBR sees 33% EPS growth in 2020 and 13.6% growth in 2021 amid long-term restructuring and portfolio adjustments. They see revenue growth of 6% next year. The company currently is working towards reducing their stake in BR Distribuidora which could raise \$8B. The move is part of their plan to cut debt and shift more towards E&P. They recently sold \$10.3B in assets to Engie and exploring how best to sell their new gas pipelines. Analysts have an average target for shares of \$18.50 with 7 buy ratings and 2 hold ratings. Credit Suisse upgrading to Outperform recently while UBS upgrading to Buy earlier this year citing optimism around the new CEO, production growth estimates, and deleveraging. Institutional ownership rose modestly last quarter. RenTech adding 8.4M shares.

AFTER HOURS MOVERS

Gainers: LB 13.7%, IOVA 7%, CPRT 3.5%, CTRP 2%

Losers: NTAP -7.5%, VRNT -3.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.63	Multi-Month Highs
CBOE Index Put/Call Ratio	1.12	Neutral
CBOE Skew Index	118.69	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	36	Fear
NYMO	-24.73	Neutral / Not Oversold
NYSE Highs/Lows	61.49	Multi-Month Lows
McClellan Summation	590.69	Below 8-EMA
Univ. of Michigan Consumer Sentiment	102.4 (May Prelim)	15-Year Highs

SMART MONEY (13g/13d Filings)

IPO MONITOR

Rattler Midstream (RTLRL) issuing 33.3M shares for \$16-\$19; Limited partnership formed by Diamondback to own, operate, and acquire midstream infrastructure assets

Three small biotech IPOs in **BCYC, IDYA, and PLTX**

TRADE

WEEKLY TECHNICAL BREAKOUT

ORCL:



Oracle (ORCL) shares are consolidating in a small flag under new 52-week highs at \$55.50 with a breakout targeting \$58. MACD is back around zero and RSI still in a healthy zone above 50. Longer-term, shares re-tested a key breakout area at \$53.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Alteryx (AYX)

Price: \$88.50

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock		20.8X	17X	131.5X	
Industry Avg.		8.4X	9.4X	41.3X	

Analysis: The \$5.5B company trades 19.6X EV/sales and 15X cash with growth estimates out through 2021 of 31.8% and 35.7%. AYX expects to make around \$1/share by 2021. The company focuses on data analytics and productivity for businesses. They have strong dollar-based retention and strength last quarter from International and enterprise demand. They're seeing better margins from new product mix as well as higher services.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

HRL:



Hormel (HRL) shares are consolidating in a bear flag above \$39 with a big volume gap under which targets \$37 and then a big high-volume node around \$35. Shares have major resistance above at \$41.

PAIR TRADE OF THE WEEK

Industry: QSR

Long/Short: Long Chipotle (CMG), Short Dine Global (DIN)

Analysis: CMG has been seeing stronger SSS growth with their digital business in the early innings of adoption and seeing nice early uptake with higher ACP. Their rewards program will be a key driver into the 2H. DIN has seen mixed comps while margins are weakening.

SMALL CAP TRADE OF THE WEEK

Domo (DOMO) is a \$1.02B software company which trades 6.66X EV/sales and 5.8X cash with 23.3% sales growth expected in both 2020 and 2021. DOMO focuses on business intelligence tools and data visualization, a \$24.4B market. DOMO also expects to expand across other markets like data integration and warehouse management which is another \$20.4B in TAM.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Acuity (AYI)

Nordson (NDSN)

Chicos (CHS)

Cott Corp (COT)

Oasis (OAS)

Intra-Cellular (ITCI)

CNX (CNX)

Macerich (MAC)

Spark (ONCE)

FLIR Systems (FLIR)

BJs Wholesale (BJ)

Inseego (INSG)

Sea (SE)

Copart (CPRT)

Sprint (S)

Copart (CPRT)

Nordstrom (JWN)

Ambarella (AMBA)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Eldorado (EGO)

CECO Environ (CECE)

Tocagen (TOCA)

Cott (COT)

Assured Guaranty (AGO)

Plug Power (PLUG)

Uniqure (QURE)

Old Dominion (ODFL)

Travel Port (TVPT)

Regis (REG)

Livent (LTHM)

Advanced Auto (AAP)

Istar (STAR)

Macerich (MAC)

Urban Outfitters (URBN)

LKQ Corp (LKQ)

Pitney Bowes (PBI)

Pure Storage (PSTG)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Renewable Energy (REGI)

Yum China (YUMC)

Cara Therapeutics (CARA)

Keycorp (KEY)

Nutanix (NTNX)

Assembly (ASMB)

LKQ (LKQ)

Mallinckrodt (MNK)

Intra-Cellular (ITCI)

Johnson Controls (JCI)

Western Digital (WDC)

Beyond Meat (BYND)

Nokia (NOK)

CVS Health (CVS)

Jumia (JMIA)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Bank of America (BAC)

JD.com (JD)

Nordson (NDSN)

Semis (SMH)

Sprint (S)

Oasis (OAS)

Zynga (ZNGA)

Honeywell (HON)

Macerich (MAC)

Twitter (TWTR)

Ford Motor (F)

Sea (SE)

Micron (MU)

Caterpillar (CAT)

Copart (CPRT)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

SeaWorld (SEAS)

Schlumberger (SLB)

ROST, 1,000 June \$97.50/\$92.50 strangles sold

Wells Fargo (WFC)

PVH Corp (PVH)

MPC, 2,500 July \$60/\$45 bull risk reversals

Philip Morris (PM)

RH (RH)

BMRN, 1,000 June \$105 calls sold w/ \$90/\$80 put spread 1,000X2,000

Qualcomm (QCOM)

Wayfair (W)

QCOM, January \$80/\$100 call ratio trading 4,500X9000

Avalara (AVLR)

Starbucks (SBUX)

WDC, 1,000 October \$35/\$25 put spreads

Stock Specific News and Media

Universal Music Said to Eye Industry Bidder as Buyout Firms Balk – Bloomberg

Mortgage refinances surge 8%, as rates fall to the lowest level since January 2018 – CNBC

China pork imports jump 24% in April (**TSN, SAFM**) – Reuters

Serco buys U.S. defense supplier **NSBU** for \$225M – Reuters

Bill to ban the sale of loot boxes to children presses forward with bipartisan support (**EA, TTWO, ATVI**) – The Verge

NYSE (ICE) Cuts Fees to Court Biotech Listings Away From **Nasdaq (NDAQ)** – WSJ

Colony Capital Aims to Invest \$5 Billion in Latin America – WSJ

Extras

Regeneron (REGN) strong mover and 500 June \$330 calls being bought from \$6.60 up to \$7.10

Enanta (ENTA) late day base breakout trigger and June \$95 calls bought 1,000X \$4.85 late

Citi (C) opening sale of 5,000 December \$70 calls for \$2.60

Herbalife (HLF) opening trade for 3,000 August \$50/\$37.5 bull risk reversals at \$0.14 debit

Stone (STNE) opening sale of 1,500 July \$27 puts for \$1.10

YY (YY) buyer 700 January \$90 calls for \$3.55

Caci (CACI) IV jumped late with aggressive buys of 300 June \$210 calls up to \$6.40

Hershey (HSY) with the January \$120/\$100 ratio put spread opening 500X1000

Livent Corp (LTHM) into new lows with 5,000 January \$7.50 puts sold to open \$1.40

Exelon (EXC) with 6,000 January \$55 calls opening \$0.60 to \$0.65

Insider Focus

Bunge (BG) with two sizable insider buys yesterday with the CEO acquiring \$2M in stock at \$51.93 and President of Global Risk Management buying \$512K in stock at \$51.28. These are the two largest buys in the name by an individual in over four years. BG has not participated much in 2019 with shares down 2.8% and down over 25% in the last twelve months. Shares are forming a narrow base under \$55 with a breakout targeting a high-volume node at \$60 and then up to \$65. Shares traded as high as \$80 in early 2018. The \$7.49B company trades 13.45X earnings, 0.17X sales, and 7.1X cash with a 3.85% yield. BG has taken down estimates over the last three months and now sees mid-double digit EPS growth with revenue growth slowing from 2.5% to 0.5%. The company beat expectations earlier this month on better

crushing margins in its oilseeds business but FY guidance highly reliant on US/China trade discussions for soy crush margins. BG has been downsizing their operations in an effort to instill more cost discipline so that they can be successful in any environment. Analysts have an average target for shares of \$73 with 3 buy ratings and 2 hold ratings. CSFB has a \$65 PT and Outperform rating. They were out positive on 5/20 after meeting new CEO Greg Heckman. The firm thinks there is near-term upside to forward estimates if external factors (particularly global livestock expansion to backfill China and the US/China trade dispute) play out positively. They also like the management changes Heckman has made and catalyst potential. "It sounds to us like the company could announce its exit plan for sugar within the next 3-6 months. It also sounds like management is seriously considering exiting geographic areas where returns have failed to live up to expectations. Selling the struggling crushing assets in China, Argentina and perhaps the JV in Vietnam would make sense to us." Short interest is 2.9% and at its highest level since 2016.

Earnings After the Close

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CPRT	Copart	\$0.66	\$0.62	\$553.12	\$535.62	15.7%	
CTRP	Ctrip	\$0.44	\$0.25	\$1217.0	\$1,195.75	12.8%	
HTHT	Huazhu Group	\$0.76	\$0.73	\$2,387.00	\$2,341.93	14.20%	FY Light
LB	L Brands	\$0.14	\$0.00	\$2,629.00	\$2,560.96	0.10%	FY In Line
MOD	Modine	\$0.40	\$0.38	\$556.70	\$577.30	-1.70%	
NTAP	NetApp	\$1.22	\$1.26	\$1,592.00	\$1,642.00	-3.20%	FY Below
SCVL	Shoe Carnival	\$0.78	\$0.84	\$253.80	\$259.24	-1.40%	
SNPS	Synopsys	\$1.16	\$1.09	\$836.20	\$829.41	7.60%	
VIPS	Vipshop	\$1.19	\$1.08	\$21,300.00	\$20,553.24	7.20%	

NTAP – On Demand in Data Center - I think if you look at the overall demand environment for data center spending, I think it reflects two broad themes, in some parts of the world where there are notable changes in the macroeconomic outlook people are taking a bit longer to define their annual budget plans for building a contingency budget model and buying for what they need or requiring more number of approvals for larger transactions like we said last quarter, we saw some of that reflected in our European business this past quarter. In other parts of the world where the economy is stronger we do see people looking at sort of their data center priorities, what would they refresh within their data center, what would they think about moving to public clouds, we are well positioned to capitalize on that trend using our data fabric strategy that is reflected in some of the acceleration of our data services results this quarter.

We plan for next year for a low growth environment, as Ron mentioned the investments we're making to capitalize on the strength of our portfolio should pay off through the course of the year and for the whole year you should see strength in the product revenues materialize especially in the back half of the year. You know, I feel like this is an environment that we are particularly well set up for, we have demonstrated our ability to execute against our topmost priorities, we are entering fiscal 2020 with a much stronger

portfolio than we've had even in years passed and we are demonstrating our ability to meet the financial targets we set out by prioritizing carefully with trade off decisions across the company.

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
WMS	Advanced Drainage	\$0.01	-\$0.04	\$272.22	\$274.41	8.80%	
BBY	Best Buy	\$1.02	\$0.87	\$9,142.00	\$9,138.20	0.40%	
BJ	BJ's Wholesale	\$0.26	\$0.25	\$3,069.80	\$3,123.94	2.50%	
BRC	Brady	\$0.65	\$0.56	\$289.75	\$292.66	-2.90%	
HRL	Hormel Foods	\$0.46	\$0.45	\$2,344.70	\$2,371.34	0.60%	
MDT	Medtronic	\$1.54	\$1.47	\$8,146.00	\$8,120.75	0.00%	
ROLL	RBC Bearings		\$1.23		\$180.76		
RY	Royal Bank of Canada	\$2.20	\$2.22		\$10,763.32		
SINA	SINA	\$0.40	\$0.37	\$475.10	\$477.57	7.80%	
TNK	Teekay Tankers	\$0.05	\$0.08	\$135.16	\$141.14	52.80%	
TTC	Toro		\$1.21		\$987.80		
TD	Toronto-Dominion Bank	\$1.75	\$1.68	\$10,228.00	\$9,455.49	8.00%	
WB	Weibo	\$0.56	\$0.52	\$399.18	\$399.65	14.10%	