

TOP STORIES

- Trump Predicts Quick End to Trade War
- U.K. Prime Minister May Says She Will Step Down June 7
- Japan Downgrades View of Economy Again as Tax Hike Approaches

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2836.75 (17.25)	13.76
Nasdaq	7351.5 (40.5)	34.57
Dow	25623 (160)	137.53

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7280.73	0.69%
DAX	12053.07	0.84%
Nikkei	21117.22	-0.16%
Hang Seng	27353.93	0.32%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Durable Goods	-2.0%

FOREX

EUR/USD	1.1186 (0.05%)
USD/JPY	109.67 (0.07%)
USD/CAD	1.3447 (-0.19%)
GBP/USD	1.2686 (0.25%)
USD	97.65 (-0.08%)

COMMODITY

Oil	58.57 (1.14%)
Natural Gas	2.575 (-0.12%)
Gold	1281.2 (-0.33%)
Copper	2.6945 (0.52%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	21.71 (9.43%)
Nasdaq	VXN	17.01 (15.32%)
Oil	OVX	34.02 (20.36%)
Gold	GVZ	9.41 (4.09%)

MARKET OUTLOOK

Futures are indicating a higher open to close the week with a quiet morning for news ahead of the holiday weekend. Global equities on pace for their third losing week in a row. PM May has resigned effective on June 7th after failing to get a Brexit deal passed. Sterling rallied slightly but overall muted reaction. The decision on new leadership now moves to the people with betting markets favoring 'Vote Leave' leader Boris Johnson. POTUS is on his way to Japan this morning where he will talk trade with PM Shinzo Abe. The White House is casting a wider net on trade now looking at other countries who have undervalued their currency. The latest proposal would let US companies seek anti-subsidy tariffs on imports deemed as a competitive threat. There are no countries currently meeting the criteria.

Asian markets finished the week mixed with the Nikkei posting its third straight weekly loss. Japanese CPI was in line with estimates at 0.9%. Singapore GDP fell slightly to 1.2% vs 1.3%. Singapore industrial production rose 2.4% which was better than forecast. **Panasonic** was down almost 2% after cutting shipments to Huawei. **Canon** was down 3.5%. The fall in oil prices weighed on refiners like **Kosan** which was down 4%. **Infex** fell 4.7%.

European markets are on the morning highs and up strong so far to close the week. UK retail sales were stronger than expected at 5.2% vs 4.6% in April. Spanish PPI fell slightly. The ECB's Nowotny spoke reaffirming confidence in the 2H for the EU. It was a quiet day for stock-specific news. French retailer **Casino** jumped 11% after some news regarding its parent company's credit.

Kratos (KTOS) in focus today with JP Morgan upgrading to Overweight, \$24 PT. KTOS made good progress on "several fronts," the most important being its Valkyrie tactical drone, which has gained the attention of Air Force. While the Valkyrie will not bring an earnings windfall near term milestones on it and other programs should help shares for the time being.

S&P TECHNICALS

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



1422 Advancing	Declining 5861
18.7%	77.0%
169 New High	New Low 401
29.6%	70.4%
2404 Above SMA50	Below 5180
31.7%	68.3%
3276 Above SMA200	Below 4308
43.2%	56.8%

KEY EVENTS TO WATCH

Market Closed on Monday for Memorial Day

Economic Data on Tuesday: Case-Schiller, Consumer Confidence, Housing Price Index

Earnings BMO Tuesday: AMWD, PLAN, BNS, BAH, MOMO, NIO; **Earnings AMC Tuesday:** HEI, RAMP, NXGN, WDAY, YY

Analyst Events: PNW, TEUM

Conferences: Craig-Hallum Institutional Investor Conference

ANALYST ACTION/COMMENTS

Dow (DOW) upgraded to Neutral at JP Morgan

Kratos (KTOS) upgraded to Overweight at JP Morgan

Vale (VALE) upgraded to Buy at BAML

Vodafone (VOD) upgraded to Buy at HSBC

Ericsson (ERIC) upgraded to Outperform at CSFB

Bloomin Brands (BLMN) upgraded to Buy at Guggenheim

PetroChina (PTR) upgraded to Buy at Citi

Toronto Dominion (TD) downgraded to Neutral at National Bank, \$85 PT

Sociedad (SQM) downgraded to Neutral at BMO

Axon (AAXN) downgraded to Neutral at Imperial

Biocryst (BCRX) downgraded to Neutral at RBC

Globus (GMED) downgraded to Neutral at Wells Fargo

Lennox (LI) downgraded to Sell at UBS

Weibo (WB) downgraded to Reduce at HSBC

Constellation (STZ) downgraded to Neutral at MSCO

Veeva (VEEV) downgraded to Neutral at MSCO

Falcon Minerals (FLMN) initiated Outperform at Baird

Inseego (INSG) initiated Outperform at Cowen

CannTrust (CTST) initiated Buy at BAML

Tricida (TCDA) initiated Buy at Needham

MEDIA HIGHLIGHTS

Microsoft (MSFT) removes **Huawei** from cloud server website - Bloomberg

Genesee & Wyoming (GWR) pursued by Blackstone, Brookfield, others - Bloomberg

Legg Mason (LM) to cut 12% of its workforce - FT

Shopify (SHOP) quietly buys ecommerce platform Handshake - TechCrunch

Snapchat (SNAP) workers reportedly abused data access tools to spy on users - Vice

Nestle focuses on efficiency, procurement to hit cost-cutting goals - WSJ

Amazon Japan (AMZN) no longer direct selling Huawei devices - Nikkei

Moderating demand, prices ratchet up worries for U.S freight (**ARCB, KNX, SWFT, JBHT**) – WSJ

Bosch hits record Taiwan sales in 2018 – Digitimes

Maersk Warns of 'Considerable Uncertainties' From Trade War – Bloomberg

CVC-Backed Sanitary Product Maker Mulls \$500 Million IPO – Bloomberg

Endeavor Group, owner of Miss Universe Pageant and UFC, files for IPO – NY Post

Global Payments (GPN), Total System (TSS) explore potential deal - Bloomberg

Political Risks Loom Over European Markets – WSJ

Facebook (FB) held discussions with Winklevoss twins over cryptocurrency - FT

STOCK SPECIFIC NEWS OF NOTE

Freeport McMoRan (FCX) to sell part of cobalt business for about \$150M

Dynavax (DVAX) to restructure to focus on vaccine business

RBC Bearings (ROLL) announces \$100M share buyback

GreenSky (GSKY) CEO says recent volatility created opportunity to accelerate buybacks

Santander Consumer (SC) announces \$400M buyback

PRE-MARKET MOVERS

Moving Higher: CTST 5.8%, TSLA 3%, BA 1.7%

Moving Lower: FL -7%

INSIDER TRADING (Form 4 Filings)

Buying: TCI, BG, IIVI, SHW

Selling: PZZA, ATGE, PG, LNC, OLN, CME, DMRC, MTD, HSY, ERII, RNG, NVTA, TWTR, CRM, FB, MXL

POTENTIAL SYMPATHY TRADES

NKE, UAA – on FL earnings

HRB – on INTU earnings

OPTION HIGHLIGHTS (Prior Day)

Trex (TREX) trading 3X average calls today with shares moving to session highs and 570 July \$65 calls bought up to \$3.30. TREX has seen buyers over the last week in the June \$55 and \$60 calls for a regularly quiet options name. Shares are down from recent highs around \$77.50 and holding key breakout support at \$60 which stretches back to early 2018. The company has been in a long uptrend and back at trend support as well from the 2017 low. MACD is crossing over bullish today and showing relative strength. TREX is entering a seasonally strong period of the year with spring orders setting up for outperformance in the late July/early August quarter and four of the last five years the strongest response of the year (+21.3%, 2.9%, +16.5%, and 15.1%). The \$3.87B company trades 22.25X earnings, 5.5X sales, and 43.3X FCF. TREX expects 18.2% EPS growth in 2020, up from 4.9%, while revenue growth is up to 10.4% and 7.5%. TREX missed estimates in April largely due to costs related to new product launches and early issues with manufacturing which substantially improved late in the quarter. This also caused one-time margin issues which will ease over the next 2-3 quarter. TREX also disclosed temporary slowdowns in a Nevada facility which will ease in June. Demand remains strong including a lot “left on the books” due to capacity restraints. Analysts have an average target for shares of \$74 with 4 buy ratings and 3 hold ratings. Short interest is 8.6%. Stifel positive in March with a \$72 PT. They think early-season weather does not really matter for Trex and that shelf space gains in the big boxes and two-steppers are being overlooked. DA Davidson positive yesterday noting that 2H and 2020 look strong after read-throughs from HD and LOW into the repair and remodel market. The firm thinks growing demand from the shifting trend in deck repair to composite from wood and the company's ability to gain market share with shelf space wins along with expanded stocking positions within the dealer channel will be long-term positives. Institutional ownership rose 2.3%.

AFTER HOURS MOVERS

Gainers: VSAT 10%, NVCR 5.5%, DECK 5%, DXC 4.4%, HPQ 3.3%, CTL 2%

Losers: DVAX -8.5%, ADSK -8.5%, LGF/A -3%

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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Sealed Air (SEE)	Tech Data (TECD)	T2 Bio (TTOO)
National Oilwell (NOV)	National Oilwell (NOV)	Nabors (NBR)
Kratos (KTOS)	Gardner Denver (GDI)	Cloudera (CLDR)
DXC Tech (DXC)	DXC Tech (DXC)	Zuora (ZUO)
Caleres (CAL)	Livent (LTHM)	EnSCO (ESV)
Paysign (PAYS)	Shoe Carnival (SCVL)	Hess (HES)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Caleres (CAL)	Gardner Denver (GDI)	Shoe Carnival (SCVL)
Party City (PRTY)	Tech Data (TECD)	Hormel (HRL)
Antero (AR)	RLJ Lodging (RLJ)	L Brands (LB)
Kratos (KTOS)	Daktronics (DAKT)	Best Buy (BBY)
Chegg (CHGG)	Casey's (CASY)	Weibo (WB)
Nektar (NKTR)	Hasbro (HAS)	Sprint (S)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Flex (FLEX)	Carvana (CVNA)	Cara Therapeutics (CARA)
America Movil (AMX)	Southwestern (SWN)	Assembly (ASMB)
Fiat Chrysler (FCAU)	Caesars (CZR)	Intra-Cellular (ITCI)
National Oilwell (NOV)	Oasis (OAS)	Beyond Meat (BYND)
Ford Motor (F)	Oracle (ORCL)	Jumia (JMIA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
National Oilwell (NOV)	GE	Tech Data (TECD)
Tesla (TSLA)	Twitter (TWTR)	National Oilwell (NOV)
Apple (AAPL)	Avon Products (AVP)	Gardner Denver (GDI)
Glu Mobile (GLUU)	Tailored Brands (TLRD)	Caleres (CAL)
Ford Motor (F)	Hormel (HRL)	Paysign (PAYS)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Sealed Air (SEE)	Activision (ATVI)	ATVI, July \$42.50/\$37.50 put spread
Kratos (KTOS)	Casey's (CASY)	CASY, 680 August \$130/\$125 put spreads
Shell (RDS/A)	Fed-Ex (FDX)	CHTR, 2000 July \$385/\$375 strangles sold
American Air (AAL)	Whirlpool (WHR)	MDCO, 1,000 January \$45/\$20 bull risk reversals
Archer Daniels (ADM)	Century Link (CTL)	LTHM, 5,000 January \$7.50 straddles sold

Extras

Fastenal (FAST) buyers of 1,000 August \$30 puts for \$1.20 to \$1.25

Savara (SVRA) rallying late with 1,000 July \$10 puts sold to open for \$2.50

Foot Locker (FL) with 3,000 June \$60 puts rolling down to the \$56 strike

Anaplan (PLAN) with 1,000 July \$40 calls opening \$2.425 into earnings 5-28

Pioneer (PXD) opening sale of 1,000 July \$125 puts \$2.05

Earnings After the Close

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ADSK	Autodesk	\$0.45	\$0.47	\$735.50	\$740.14	31.40%	FY In Line
CVCO	Cavco Industries	\$2.17	\$1.53	\$241.10	\$226.96	-0.60%	
DECK	Deckers Outdoor	\$0.85	\$0.06	\$394.10	\$378.82	-1.60%	FY In Line
DXC	DXC Technology	\$2.19	\$2.09	\$5,280.00	\$5,298.16	-5.40%	
HPE	HP Enterprise	\$0.42	\$0.36	\$7,150.00	\$7,375.85	-4.30%	FY In Line
HPQ	HP	\$0.53	\$0.51	\$14,036.00	\$13,966.15	0.20%	FY In Line
INTU	Intuit	\$5.55	\$5.39	\$3,272.00	\$3,228.85	12.40%	FY In Line
LGF.A	Lions Gate	\$0.11	\$0.22	\$914.00	\$936.03	-12.10%	
ROST	Ross Stores	\$1.13	\$1.12	\$3,796.64	\$3,793.76	5.80%	
SPLK	Splunk	\$0.02	-\$0.14	\$424.90	\$395.92	36.40%	FY Above
VSAT	ViaSat	\$0.33	\$0.07	\$557.20	\$538.73	26.70%	

DXC – Beat on EPS and Missed on Revenues - "DXC Technology closed out our fourth quarter, and our fiscal year, by delivering strong digital performance and sequential growth in revenue, bookings, and cash flow," said Mike Lawrie, chairman, president and CEO. "We continued to enhance our portfolio of digital offerings, and we are re-skilling current employees to equip them with new digital capabilities and certifications. We have also hired thousands of new employees with advanced digital skills, and added more through acquisitions, to further scale our digital workforce. Our acquisition of Luxoft is expected to be completed as planned by the end of June, and this will further strengthen DXC's ability to design and deploy transformative digital solutions for clients at scale

ADSK – Missed on Top and Bottom Line - "We are off to a strong start in fiscal 2020 with billings and free cash flow coming in at or above expectations and great momentum across the entire business," said Andrew Anagnost, Autodesk president and CEO. "We are particularly pleased with the performance of our Construction portfolio, where we have started realizing both the sales and technology synergies we envisioned when we acquired PlanGrid and BuildingConnected. Overall, we are on track to achieve our fiscal 2020 ARR and free cash flow guidance and are reaffirming our fiscal 2023 targets. Our solid

execution during the growth phase of the business model transition drove 33% ARR growth and enabled significant margin expansion," said Scott Herren, Autodesk CFO. "All product categories and geographies made solid contributions to our strong start in the first quarter, and market demand remains robust. Over the last 12 months, we have generated \$550 million in free cash flow, positioning us well to hit our fiscal 2020 target of \$1.35 billion."

INTU – Beat on EPS and Missed on Revenues - "This was a strong quarter across the company," said Sasan Goodarzi, Intuit's CEO. "We are on-track to exceed the guidance we provided at the beginning of the year." "We had a great tax season, growing the Do-It-Yourself (DIY) category overall as well as our share within the category driven by our innovation and significantly improved customer experience. We produced our most robust free offering yet and made significant progress in our effort to transform the assisted category. "We continue to see momentum in our Small Business and Self-Employed Group driven by Online Ecosystem revenue growth. We're making progress in solving key customer pain points and becoming the center of small business growth around the globe," said Goodarzi.

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BKE	Buckle	\$0.31	\$0.35	\$201.31	\$200.93	-1.80%	
FL	Foot Locker	\$1.53	\$1.60	\$2,078.00	\$2,106.08	2.60%	FY Below
HIBB	Hibbett Sporting	\$1.61	\$1.31	\$343.30	\$328.16	25.00%	FY Above