

TOP STORIES

- Trump Says 10% China Tariffs Will Rise to 25% on Friday
- Eurozone Investor Morale Rises in May as Recession Fears Fade
- GOP Lawmakers Protest \$2T Infrastructure Plan Pitched by Trump
- US Deploys Forces to Middle East as Tensions Rise with Iran; WH Planning New Sanctions
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2899.5 (-48)	-47.94
Nasdaq	7698.5 (-166.5)	-160.23
Dow	26022 (-477)	-460.95

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	Closed - Holiday	
DAX	12169.64	-1.96%
Nikkei	Closed – Holiday	
Hang Seng	29209.82	-2.90%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
6:00	Charles Evans Speaks	
9:30	Patrick Harker Speaks	

FOREX

EUR/USD	1.1197 (-0.03%)
USD/JPY	110.8 (-0.26%)
USD/CAD	1.347 (0.37%)
GBP/USD	1.3109 (-0.47%)
USD	97.34 (0.08%)

COMMODITY

Oil	61.36 (-0.94%)
Natural Gas	2.56 (-0.27%)
Gold	1283.2 (0.15%)
Copper	2.807 (-0.43%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.87 (-10.75%)
Nasdaq	VXN	15.98 (-9.31%)
Oil	OVX	29.88 (-2.00%)
Gold	GVZ	8.89 (-2.09%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning after the President single-handedly escalated trade tensions between the US/China ahead of talks this week. POTUS has pledged to raise tariffs to 25% on Friday as he feels talks are going too slow. The move is unexpected as many thought the trade war was coming to an end. China's Liu may also back out of a trip to the US this week to continue talks. There's some talk this morning that China will step up their stimulus efforts to stabilize the market including potentially cutting reserve ratios and possibly rate cuts. Elsewhere, the WH is planning to step up significant new sanctions on Iran this week. North Korea has fired several short-range test projectiles but POTUS remains behind Kim. In Washington, GOP lawmakers are protesting the \$2T price-tag for a new infrastructure plan.

Asian markets were weak this morning with China's HSI down almost 3% and Shanghai down over 5%, their worst day in three years. Some traders caught off-guard by the President's missive as they return from Holiday. The yuan fell as low as 6.7994, its weakest in over 3 months. Tech was under the most pressure in China. Agriculture names rallied with **Great Sun Foods** up 10% as local companies would benefit if Beijing retaliates. China Caixin Services PMI rose to 54.5 in April vs 54.3 expected. Hong Kong Manufacturing PMI rose in April.

European markets are lower this morning with the DAX leading to the downside. The FTSE is on Holiday. Eurozone manufacturing PMI rose slightly in May to 52.8 while services PMI beat forecasts at 52.8. Composite PMI rose to 51.5 vs 51.3. Retail sales were higher by 1.9% in March, better than expected but still slowing M/M. Investor confidence rose to 5.3 vs 1.1 expected, a big surge in optimism in the region. German services PMI rose to 55.7, better than prior. Chip-makers **AMS**, **ST Micro** and **Siltronic** all getting hit hard on the trade talk. **Total** lower by 2.5% after agreeing to acquire \$8.8B in assets from APC/OXY. A more defensive area, telecoms, was higher with **Telenor** up 3.5%. The company is forming a new JV in Asia.

S&P TECHNICALS

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



5938 Advancing	Declining 1291
78.3%	17.0%
286 New High	New Low 48
85.6%	14.4%
5009 Above SMA50	Below 2554
66.2%	33.8%
4571 Above SMA200	Below 2992
60.4%	39.6%

KEY EVENTS TO WATCH

Earnings After the Close: AIG, ANDE, AVID, BE, BHF, CBT, CPE, TACO, PLOW, DCO, ENSG, EVBG, FN, FRGI, FMC, FRPT, GLPI, GLUU, HIIQ, SNHY, HTZ, HHC, IAG, IFF, INVH, ITRI, FRAC, KMT, KLAC, LCI, LMNX, MASI, MOS, NCMJ, OXY, OFIX, PXD, QGEN, RP, RCI, RBC, RNG, RTEC, SEDG, SKT, TXMD, RARE, VECO

Conferences: Stifel Waste Expo (WM, RSG, SRCL, CLH)

Economic Data on Tuesday: JOLTs at 10:00 AM

International Earnings Tuesday: AB In Bev, Petrobras, BMW, EssilorLuxottica, Henkel, Ferrari, Infineon, Koninklijke DSM, Grifols, CNH Industrial, Solvay, Campari, Axel Springer, HelloFresh

Earnings BMO Tuesday: ADNT, AES, AKRX, AGN, BUD, ARMK, ARRY, CJ, CFLT, CRL, IMOS, CNK, CWEN, CLVS, CNHI, CROX, DF, DNR, DPLO, EMR, ENR, EXPD, IT, GSKY, HAE, HSIC, JEC, RACE, JELD, JLL, KL, LGIH, LCII, LPX, LITE, MNK, VAC, MLCO, MYL, OCN, REGN, SEAS, SERV, BLD, TDG, TA, USFD, USAC, VGR, WBT

ANALYST ACTION/COMMENTS

Acacia (ACIA) upgraded to Neutral at BAML

DISH Network (DISH) upgraded to Neutral at CSFB

Fortune Brands (FBHS) upgraded to Buy at BAML

Group 1 Auto (GPI) upgraded to Overweight at MSCO

Immunogen (IMGN) upgraded to Outperform at Cowen

Inphi (IPHI) upgraded to Buy at BAML

Owens Corning (OC) upgraded to Neutral at BAML

Pacira Pharma (PCRX) upgraded to Neutral at Mizuho

Parsley Energy (PE) upgraded to Outperform at Evercore

Insulet (PODD) upgraded to Buy at BTIG Research

Arrow Elec (ARW) downgraded to Neutral at BAML

Chemours (CC) downgraded to Neutral at JP Morgan

Expedia (EXPE) downgraded to Neutral at Susquehanna

Five Below (FIVE) downgraded to Equal Weight at Barclays

Navistar (NAV), Paccar (PCAR), Meritor (MTOR) downgraded to Neutral at Longbow

Rush Enterprises (RUSHA) downgraded to Neutral at Longbow

Biohaven (BHVN) initiated Buy at Goldman, \$92 PT

MEDIA HIGHLIGHTS

Elliott wants **Whitbread** to offload chunks of its property portfolio - Sunday Telegraph

U.S. court rules in favor of Dutch **ASML** in IP theft case against **Xtal** – Reuters

Tyson (TSN) expands chicken strips recall over possible metal contamination – Reuters

Fortunes May Soon Improve for Macau's Casinos (**MLCO, WYNN, LVS, MGM**) – Bloomberg

Everything is Rallying, Worrying Some Investors – WSJ

Fiat Chrysler (FCAU) Is Too American to Merge With **Peugeot** – WSJ

Barron's positive on **FTCH, LOVE, MDT, DGX, BURL, FB, CHDN**; cautious on **UBER, AAPL, OXY**

Carl Ichan building 'small position' in **Occidental Petroleum (OXY)** - Bloomberg

Shake up looming at **CBS News** - NY Times

STOCK SPECIFIC NEWS OF NOTE

Berkshire (BRK/B) Q1 earnings surge but they don't include Kraft Heinz

Sinclair Broadcast (SBGI) to acquire 21 RSNs from **Disney (DIS)** at valuation of \$10.6B

Johnson Controls (JCI) to buy back up to \$4B in common stock in modified Dutch auction

145th Kentucky Derby sets all-time wagering record (**CHDN**)

Neurocrine (NBIX) presents data analysis from two Phase III studies of opicapone

Occidental (OXY) agrees to \$8.8B contingent sale of **Anadarko (APC)** African assets to **Total (TOT)**

Occidental (OXY) delivers revised proposal to acquire **Anadarko (APC)** for \$76 per share

Esperion (ESPR) announces FDA acceptance of NDAs for Bempedoic Acid, combo tablet

Boeing (BA) admits to knowing in 2017 alert on 737 MAX did not meet requirements

Park Hotels & Resorts (PK) announces \$2.7B acquisition of Chesapeake Lodging (CHSP)

Icahn Enterprises (IEP) discloses subpoena over Manitowoc trading

Kraft (KHC) to restate financial statements for 2016, 2017

PRE-MARKET MOVERS

Moving Higher: APC 2.2%

Moving Lower: HUYA -7%, VIPS -7%, ASHR -7%, QD -6.4%, MOMO -6.4%, IQ -6.4%, WB -5.5%, BILI -5%, PDD -5.3%, JD -5.2%

INSIDER TRADING (Form 4 Filings)

Buying: STAA, UNH, USAK, SEE, ALLY, TXRH, RRC, KMI, CLUB, BX, BIIB

Selling: ALSN, MC, CRI, EXEL, DEA, MC, TWTR, COUP, ANET, FTNT, DLB, LOGI, PEN, RMD

INSTITUTIONAL MONEY FLOW

Buying: UNH, ABT, NVDA, AVGO, LLY, FIS, CVS, CI, HD, D, ICE, ORLY, BBY, PGR, HSY, AMD

Selling: AAPL, BABA, BA, XPO, GLD, WAB, GOOG, DAL, IBM, COP, COTY, TMUS, KMI, AMGN, FMX, UNP

OPTION HIGHLIGHTS (Prior Day)

Chegg (CHGG) trading 12X average calls in the opening 90 minutes with 7,500 January \$60 calls bought for \$0.65 and later 1,000 July \$40 calls bought up to \$1.65 and 1,125 June \$40 calls bought up to \$1.30. Shares dipped back to the 20-week EMA around \$35 after earnings and rebounding a bit back to the 8- and 13-day EMA. CHGG has been in a strong trend higher since early 2017 and current consolidation under \$41 has room up to \$47. The \$4.13B company trades 43X earnings, 12.85X sales, and 8.8X cash with forward revenue growth expectations of 21.5% and 33.9%. The company is a leader in Direct-to-Student operations across tutoring, digital textbooks, and other study aids. The former is a huge TAM, potentially \$7B, with expanded indications across secondary education and International markets. CHGG runs a high-growth, high-margin model with a significant moat given their brand recognition and partnerships. They had 3.1M subscribers as of Q1 and services growth was near 40%, a record. Analysts have an average target for shares of \$39 with 6 Buy ratings and 4 hold. Craig Hallum raising their PT to \$50 on 4/30 amid a strong Spring semester in post-Secondary education. Short interest is 14.1% and down from around 26% in early 2018. Institutional ownership rose 7%. CHGG has a potential catalyst in the UK with schools pushing forward with increased utilization of education-tech to ease the burden on teachers. The UK government has recently issued a new tech strategy which will bring in a lot of demand for companies in the space. This week we also saw a merger between McGraw-Hill and Cengage as they look to compete in the textbook space and other higher-ed materials.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.61	Flat
CBOE Index Put/Call Ratio	1.09	Low
CBOE Skew Index	122.22	Multi-Week Lows
VIX Curve	Contango	Normal
CNN Fear & Greed Index	60	Greed
NYMO	0.53	Neutral
NYSE Highs/Lows	79.34	Negative Divergence
McClellan Summation	918.39	Below 8-EMA
Univ. of Michigan Consumer Sentiment	97.2 (April Final)	-1.6% Y/Y

SMART MONEY (13g/13d Filings)

POTENTIAL SYMPATHY TRADES

HRL, PPC, SAFM – on TSN earnings

MLM, VMC, EXP, FLR, JEC – on stalling infrastructure talks

TLRY, CGC, ACB – on Illinois legislation push

TGI, SPR – on more negative BA reports

IPO MONITOR

Uber (UBER) issuing 180M shares at \$44-\$50; Largest ride-sharing company in the world

Parsons (PSN) issuing 18.5M shares at \$26-\$28; Provider of technology-driven solutions in the defense, intelligence and critical infrastructure markets

Headhunter (HHR) issuing 16.3M shares at \$11-\$13; Leading online job recruitment platform in Russia and the CIS

Others include **APLT, AXLA, MEC, MIST, NXTC, PSTL,** and **SPFI**

TRADE

WEEKLY TECHNICAL BREAKOUT

MU:



Micron (MU) shares have been consolidating in a multi-week range above the 50-EMA and nearing a breakout over \$44. A move higher targets \$49 but longer-term has room up to \$52.50 which is a key volume node from 2018. MACD is back at zero and RSI poking back above 55.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Linde (LIN)

Price:

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	36.8X	4.4X	16.2X	15.4X	29.4X
Industry Avg.	20.8X	1.7X	4.2X	11.7X	24.4X

Analysis: LIN is a \$97.5B chemicals leader after their merger with Praxair which trades cheap given their dominance and scale in a huge TAM. The company has a lot of cash on hand for potential bolt-on deals while executing on over \$1.1B in synergy opportunities. LIN had a \$1.1M insider buy around \$172 recently.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

KSS:



Kohls (KSS) shares are back near trend support and a potential breakdown under \$67.50 which targets \$64 and then recent lows around \$60. RSI is just back under 50 and MACD rolling back over zero, so potential for a breakaway move lower.

PAIR TRADE OF THE WEEK

Industry: Pharma

Long/Short: Long Taro Pharma (TARO), Short Teva Pharma (TEVA)

Analysis: TARO is a \$4.15B maker of prescription and OTC products for dermatological, cardiovascular, and neuropsychiatric market. Shares trade cheap at 9.77X earnings with double-digit growth. TEVA continues to face headwinds as it undergoes a massive restructuring while topline fell 19% in May.

SMALL CAP TRADE OF THE WEEK

Funko (FNKO) is a \$556M maker of pop culture products like vinyl, miniature and action figures. FNKO is growing sales 20% Q/Q with strength in key properties like Fortnite, Avengers, GoT, and Harry Potter. Their retail activations across Target, Foot Locker, and Walmart also helping drive product awareness while digital is driving strong engagement metrics.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Smith & Nephew (SNN)	Washington Prime (WPG)	Celgene (CELG)
C&J (CJ)	RR Donnelly (RRD)	Transenterix (TRXC)
Sunoco (SUN)	Realogy (RLGY)	Overstock (OSTK)
Builders First (BLDR)	I Rhythm (IRTC)	Uniti (UNIT)
Metlife (MET)	Lear Corp (LEA)	Go Pro (GPRO)
Sysco (SYX)	PDF Solutions (PDFS)	Nio (NIO)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Seres Therapeutics (MCRB)	RR Donnelly (RRD)	CryoPort (CYRX)
C&J (CJ)	St Joe (JOE)	Novavax (NVAX)
Mellanox (MLNX)	Kornit (KRNT)	Newell (NWL)
Takeda (TAK)	Realogy (RLGY)	LivePerson (LPSN)
Infinera (INFN)	Mitek (MITK)	Fortinet (FTNT)
Graphic Packaging (GPK)	Esperion (ESPR)	Planet Fitness (PLNT)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Knight Swift (KNX)	RR Donnelly (RRD)	Tocagen (TOCA)
Sogou (SOGO)	Morgan Stanley (MS)	Intra-Cellular (ITCI)
Pinduoduo (PDD)	Go Pro (GPRO)	Health Insurance (HIIQ)
Nio (NIO)	Snap (SNAP)	Athenex (ATNX)
Go Pro (GPRO)	Baidu (BIDU)	Jumia (JMIA)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Nio (NIO)	Realogy (RLGY)	Washington Prime (WPG)
Apple (AAPL)	Go Pro (GPRO)	RR Donnelly (RRD)
US Steel (X)	Overstock (OSTK)	Realogy (RLGY)
Silver (SLV)	Zynga (ZNGA)	Metlife (MET)
Microsoft (MSFT)	Gold (GLD)	Sysco (SYX)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Universal Display (OLED)	ThermoFisher (TMO)	TSN, 1,000 May \$75/\$70 put spreads
Cott (COT)	Gap (GPS)	FDS, June \$270/\$260 put spread 1,800X3,600
Takeda (TAK)	Sony (SNE)	GILD, 1,000 June \$67.5/\$65 bull risk reversals
Illumina (ILMN)	St Joe (JOE)	IRTC, September \$70/\$50 put spread bought 1,000X
Sysco (SYX)	American Axle (AXL)	BOOM, September \$75/\$30 ratio put spread 500X1000

News and Media

Berkshire's (BRK/B) Munger says 'screwed up' not buying **Google (GOOG)** shares – Reuters

Buffett criticizes **Tesla (TSLA)** plan to sell insurance - CNBC

EU to launch formal antitrust probe into **Apple (AAPL)** after **Spotify (SPOT)** complaint – FT

Facebook's (FB) process of "labeling" posts is raising new privacy concerns. Reuters

Regulators are debating size of **Facebook (FB)** fine. NY Times

Republican lawmakers are against cost of \$2T infrastructure proposal – WaPo

Tesla (TSLA) will not get tariff exemption for Autopilot "brain." Reuters

Illinois introduced legislation for legal recreational marijuana - Chicago Tribune

Siemens considering options for gas and power unit. Reuters

Disney's (DIS) "Avengers: Endgame" has earned \$2B worldwide. Variety

Dean Foods (DF) considering sale or breakup. WSJ

Huawei gearing up to expand presence in public cloud – Digitimes

IHS cuts 2019 chip market growth forecast to negative – Digitimes

Sanders Pitches to Iowa, Wants Halt to Agriculture Mega-Mergers – Bloomberg

Thyssenkrupp Sees Scope for Agreement With EU on **Tata** Deal – Bloomberg

Norway's **Telenor** and Malaysia's **Axiata Group** are in talks to run a JV in Asia – Reuters

GrainCorp says Long-Term Asset Partners had withdrawn its \$1.66B takeover bid – Reuters

Axsome (AXSM) announces AXS-05 status has been expedited after meeting with FDA

Conagra Brands (CAG) divests frozen pasta business Gelit

Boston Scientific (BSX) announces FDA approval of Vici Venous Stent System

Midstates Petroleum (MPO), Amplify Energy announce merger-of-equals agreement

Roche expands partnership with **Bio-Techne (TECH)**

Fastenal (FAST) reports April net sales up 12.5%

Extras

Tesla (TSLA) late day trade close 9,000 May \$220 puts and bought the May 24th (W) \$240 puts for \$6

First Solar (FSLR) late buyers of 5,000 June \$62.50 calls up to \$2.75

Grupo Televisa (TV) with over 4,000 July \$9 puts sold to open as some May puts adjust

Fastenal (FAST) buyers of 3,000 May \$72.50 calls into the close for \$0.45 to \$0.50

Marvell Tech (MRVL) buyers of 4,000 June \$25 calls for \$1.30/\$1.32 in a stock replacement

Realogy (RLGY) late day buyer of 25,000 January \$7.50 puts for \$1 as the \$10 puts close 13,500 and roll down into weakness

Tecent Music (TME) late day rise in IV as 16,000 May \$16 puts bought for \$0.35 into earnings

Cigna (CI) buyer of 2,000 January 2021 \$170/\$200 call spreads for \$9.70

Earnings Preview

Wingstop (WING) will report earnings on Tuesday after the Close with the Street looking for \$0.19 on \$45.82M in sales, a 22.5% increase Y/Y. Next quarter is guided to \$0.19 and \$46.04M while the FY is \$0.76 and \$188.54M. Shares have closed higher five of the last seven quarters with an average closing move of 8% and a max move of 17.7%. The market is implying a 8.54% move. 30-day IV is high at 57.4% and in the 97th percentile of its yearly range. Skew is slightly bearish with 25-delta P/C at 1.3% vs 1.0%. The \$2.23B restaurant operator trades 78.69X earnings, 14.5X sales, and 178X cash with a small yield. WING is targeting 26.3% and 16.6% EPS growth with revenues higher by 11.8% and 13%. WING has been a standout in the fast-casual space with double-digit comps and digital sales becoming a more prevalent piece of their mix (+27.6% last quarter). They've been focused on investing in nationwide advertising, broadening their delivery options, and adding more digital capabilities. The move is expected to set them up for long-term SSS growth as they pursue faster unit expansion. WING faces a lot of similar headwinds to peers in the space including foods costs and labor costs. They see inflation in wing prices this year by mid-to-high single digits after a deflationary environment in 2018. Analysts have an average target for shares of \$66 with 5 buy ratings, 7 hold ratings, and 1 sell. Guggenheim downgrading shares to Neutral in late March with a \$72 PT. The firm thinks Rising wing costs, coupled with a 100 basis point increase to advertising contributions, represent headwinds to Wingstop's 10% franchise development goal. BMO with a \$85 PT and Outperform rating on 3/26 citing the company's desirable combination of long-tailed unit growth and superior operating metrics with an "asset-light model that enables cash returns to shareholders at levels usually reserved for slower growth mature peers." Short interest is high at 13.1% but down considerably from its peak in 2017 around 34% and quiet so far in 2019. Institutional ownership rose 38%. Options flow has been bullish with accumulation in the May \$80 calls recently, over 2,250 in OI.

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AMG	Affiliated Managers		\$3.26		\$541.42		
BHC	Bausch Health	\$1.03	\$0.86	\$2,016.00	\$2,028.50	1.10%	FY In Line
DK	Delek US	\$1.54	\$0.46	\$2,199.90	\$2,015.12	-6.50%	

KELYA	Kelly Services		\$0.29		\$1,407.00		
KOS	Kosmos Energy	-\$0.06	-\$0.07	\$296.80	\$283.07	133.30%	
OXY	Occidental Petro	\$0.84	\$0.71	\$4,089.00	\$4,021.24	6.90%	
PK	Park Hotels & Resorts	\$0.67	\$0.68	\$659.00	\$655.79	-1.30%	FY In Line
PETS	PetMed Express		\$0.46		\$69.06		
SPNS	Sapiens Int'l	\$0.17	\$0.15	\$76.79	\$75.69	8.20%	
SY Y	Sysco		\$0.70		\$14,783.28		
TSN	Tyson Foods	\$1.20	\$1.15	\$10,440.0	\$10,249.16	6.9%	FY In Line