

TOP STORIES

- US, Mexico Reach Agreement on Trade
- China Exports Grow Despite US Tariffs, Imports Slump Most in Three Years
- Japan GDP Revised Up in Q1
- U.K. Economy Shrinks as Factory Output Falls Most Since 2002
- Kuroda Says BOJ Can Add Stimulus If Necessary
- United Tech to Buy Raytheon, Creating \$120B Aerospace/Defense Leader
- Salesforce to Acquire Tableau in \$15.7B Deal

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2884.75 (9.75)	10.91
Nasdaq	7449.25 (29.75)	27.96
Dow	26107 (100)	112.03

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7369.57	0.51%
DAX	Closed – Holiday	
Nikkei	21134.42	1.20%
Hang Seng	27578.64	2.27%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:00	JOLTs	7.4M

FOREX

EUR/USD	1.1308 (-0.20%)
USD/JPY	108.62 (0.41%)
USD/CAD	1.3264 (-0.01%)
GBP/USD	1.2668 (-0.52%)
USD	96.79 (0.31%)

COMMODITY

Oil	54.13 (0.26%)
Natural Gas	2.333 (-0.17%)
Gold	1332.5 (-1.01%)
Copper	2.6315 (0.15%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.3 (2.32%)
Nasdaq	VXN	19.93 (-1.92%)
Oil	OVX	38.75 (-4.7%)
Gold	GVZ	11.41 (-1.81%)

MARKET OUTLOOK

Futures are indicating a higher open to kick off the week with trade talks and a pair of big M&A deals boosting optimism. The big news on the trade front surrounded Mexico which reached a deal to avoid tariffs while agreeing to focus more on border security. There's some disagreement on how much of this is new versus prior negotiations which are simply being reshaped but market is responding either way with the Peso jumping and indices up nicely. The move also is leading some to see an easier path to passage for the USMCA. The BOJ joined the Fed and ECB this morning emphasizing they have room to act if conditions worsen due to an extended US/China trade war. Finally, merger Monday in full effect today. We got a major defense deal with **Raytheon** and **United Tech** and then later in tech **Salesforce** and **Tableau** agreed to a massive deal. Smaller deals were done by **Merck (MRK)** and **Comstock (CRK)**.

Asian markets were mostly higher overnight with the Nikkei at new 2-week highs. China reported better than expected export data overnight up 1.1% vs an expectation for a 3.8% decline. Imports fell 8.5% which was worse than the forecast. Aluminum hit a 29-month low this morning after the China trade data. Japanese GDP rose 2.2% in Q1, up slightly from the 2.1% initial forecast. Financials lagged with the drop in US yields. Autos recovered a bit with the US/Mexico news. **Toyota** up 2% and **Honda** was up 1.5%. **Softbank** down 1.5% after reports of changes to mobile penalty fees.

European markets are higher in early trading today. UK GDP was down modestly for the month with industrial production and manufacturing weak. Construction output slowed for the month. Italian industrial product fell in April. Germany and Switzerland are closed on Holiday. Autos were strong today and **Fiat/Renault** in focus as the two are reportedly looking to resuscitate their deal. **Thomas Cook** up 20% after reports that Fosun Tourism was in talks to acquire their tour operating business.

S&P TECHNICALS

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



5299 Advancing	Declining 1943
69.8%	25.6%
587 New High	New Low 158
78.8%	21.2%
3055 Above SMA50	Below 4516
40.4%	59.6%
3659 Above SMA200	Below 3912
48.3%	51.7%

KEY EVENTS TO WATCH

Earnings After the Close: ASNA, CASY

Analyst Days: TXMD

Business Update: DD

Conferences: E3 Electronics Conf. (TTWO, ATVI, SNE, EA)

Tomorrow... NFIB Small Business at 6:00 AM, PPI-FD at 8:30; **Earnings BMO** from CHS, HRB, HDS, JW.A

ANALYST ACTION/COMMENTS

Invitation Homes (INVH) upgraded to Buy at Evercore

Adecoagro (AGRO) upgraded to Buy at Citi

China Life (LFC) upgraded to Buy at Goldman

Prudential (PUK) upgraded to Buy at Citi

Aegon (AEG) upgraded to Neutral at Citi

Analog Devices (ADI) upgraded to Buy at Goldman

Federated (FII) upgraded to Overweight at JP Morgan

Redfin (RDFN) upgraded to Overweight at Stephens

United Tech (UTX) upgraded to Buy at Seaport

Entegris (ENTG) upgraded to Buy at Goldman

At Home (HOME) downgraded to Neutral at MSCO

MSC Industrial (MSM) downgraded to Hold at Gordon Haskett

Lazard (LAZ) downgraded to Neutral at UBS

Realogy (RLGY) downgraded to Neutral at Stephens

Corteva (CTVA) initiated Neutral at Nomura

Itau Unibanco (ITUB), Banco Bradesco (BBD) initiated Sell at Goldman

Stone (STNE) initiated Buy at Goldman

So Young (SY) initiated Buy at CICC, \$20 PT

Timkem (TKR) initiated Neutral at MSCO

Charles River Labs (CRL) initiated Outperform at SIVB

MEDIA HIGHLIGHTS

Uber's (UBER) COO and CMO step down from the company - Bloomberg

Insys (INSY) bankruptcy could complicate \$225M opioid settlement with DOJ - WSJ

American (AAL) extends Boeing 737 Max cancellations into September; considering move to **Airbus** narrowbody - Reuters

Treasury Secretary Mnuchin says Trump could ease up on **Huawei** – Reuters; China warns tech giants against cooperating with Trump ban – NYT; **Google (GOOGL)** pushes Trump administration for Huawei exemption - FT

G20 to wrap up big tech tax rules by 2020 - Reuters

Fiat Chrysler (FCAU) CEO's plans upended after failed Renault merger deal - WSJ

Apple (AAPL) plans 'acqui-hire' of autonomous vehicle startup Drive.ai - Bloomberg

Microsoft (MSFT) to start testing videogame-streaming initiative in Oct. - WSJ

Google (GOOGL) made \$4.7B from news industry last year - NY Times

Trade war seen to halt silicon wafer capacity expansions in 2019 – Digitimes

NYC City Council to investigate **Grubhub's (GRUB)** restaurant-killing fees – NY Post

The US-China Trade War Rages On: DRAM Price Decline 3Q to Widen to 15% - DRAMeXchange

China's **Ant Financial (BABA), Vanguard** form Shanghai-based venture – Reuters

STOCK SPECIFIC NEWS OF NOTE

Lockheed Martin (LMT) awarded \$1.81B Navy contract

Kraft Heinz (KHC) completes internal review of procurement practices

Eli Lilly's (LLY) tirzepatide demonstrates benefits in data

Raytheon (RTN), United Technologies (UTX) agree to all-stock merger of equals

Tandem (TNDM) reports results from studies of t:slim X2 insulin pump with Control-IQ

Roche, Spark Therapeutics (ONCE) receive request for additional information from FTC; CMA opens investigation in relation to Spark deal

Salesforce (CRM) to acquire **Tableau (DATA)**

PRE-MARKET MOVERS

Moving Higher: DATA 33.5%, RTN 9.7%, SFLY 6%, UTX 4.4%, AMD 2.9%, ZM 2.6%, GM 2%

Moving Lower: ONCE -15%, CRM -3%, STM -1.9%

INSIDER TRADING (Form 4 Filings)

Buying: REV, WDAY, MGM, OAK, NVRO, XRAY, WY, STLD, FCX, TTS

Selling: FGEN, RNG, AXX, ZAYO, FLS, MOH, MTCH, SBAC, WMT, COO, GRPN, LBTYA, MDT

POTENTIAL SYMPATHY TRADES

LMT, NOC, GD, HII, LLL – on RTN/UTX merger

SPLK, WDAY, NOW, TEAM, NEWR – on DATA deal

ATVI, EA, TTWO, SNE – on E3

OPTION HIGHLIGHTS (Prior Day)

Square (SQ) with 2,500 September \$65 calls bought \$7.40 to \$7.60 this morning as shares move out of a downtrend and the recent correction reversing right at the rising 89 week MA similar to the S&P and also putting in a weekly bull engulfing putting that recent low as a trade-against level. SQ sees a lot of positioning and long been popular with opening put sales while 10,000 December \$70 calls opened in a massive trade on 5/20. The \$27.4B payments leader is trading 58X Earnings and 13X EV/Sales with revenue growth of 49% in 2018. Square is building out a unique ecosystem of payment related products for merchants and individuals. It sees a \$26B revenue opportunity in the US alone and building a \$70B ecosystem between US Payments, E-Commerce, Software, Square Capital, and Caviar. Analysts have an average target of \$82 on shares and short interest at 7.5% of the float has been moving lower in recent weeks. JP Morgan out positive this morning seeing Square Card as the next big sales driver, seeing \$10B value by 2020, and has an \$86 target on shares. Barclays has a \$96 target seeing Cash App driving upside to estimates and platform growth expanding. Guggenheim has a \$94 target seeing adjusted EBITDA due for rapid compounding with emerging tailwinds in international markets, expanding hardware lineup, and new products driving growth, seeing \$3B in adjusted EBITDA and \$4 EPS by 2024. Hedge Fund ownership jumped another 20% in Q1 filings, Jericho with a new large stake, and Whale Rock adding to its position.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.65	Rising / Negative
CBOE Index Put/Call Ratio	1.15	Rising / Negative
CBOE Skew Index	114.67	Multi-Month Lows
VIX Curve	Contango	Normal
CNN Fear & Greed Index	32	Fear
NYMO	27.4	Multi-Month Highs
NYSE New Highs	204	Highest Since Jan. 2018
McClellan Summation	235.4	Below 8-EMA
Univ. of Michigan Consumer Sentiment	100.0 (May Final)	Strong

SMART MONEY (13g/13d Filings)

IPO MONITOR

Chewy (CHWY) issuing 41.6M shares at \$17-\$19; Online destination for pet products

CrowdStrike (CRWD) issuing 18M shares at \$28-\$30; Developer of cyber security software tailored for the cloud era

Fiverr (FVRR) issuing 5.3M shares at \$18-\$20; Developer of a digital marketplace built with comprehensive SKU-like services catalog

Mohawk (MWK) issuing 3.3M shares at \$14-\$16; Maker of home and kitchen appliances, kitchenware, beauty products and electronics

TRADE

WEEKLY TECHNICAL BREAKOUT

EPAM:



EPAM Systems (EPAM) shares are not far from a flag breakout to new highs above \$180 which targets a move higher to \$200 from the May lows. RSI has cleared a multi-month downtrend while MACD crossed over bullish last week. Shares are in a strong uptrend.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Top Build (BLD)

Price: \$82.50

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock					
Industry Avg.					

Analysis: BLD is a \$2.83B company which trades 14.48X earnings and 1.13X sales with mid-double digit growth. The company focuses on insulation, gutters, windows, and other services for residential construction. BLD traded higher by 8% in May on earnings driven by M&A, better volumes at TruTeam, and price hikes to help stymie material headwinds.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

RF:



Regions Financial (RF) shares have been forming a series of lower highs since February and near a breakdown which targets long-term trend support at \$12.50. RSI is weak on a longer-term timeline while MACD crossed over bearish on the weekly.

PAIR TRADE OF THE WEEK

Industry: Staples

Long/Short: Long P&G (PG), short Clorox (CLX)

Analysis: PG is a best-in-breed name which gaining share across a number of categories while the reinvestment cycle can drive growth in 2020+. CLX faces headwinds for revenue growth from competition in bags and wipes while promotional spending hikes will weigh.

SMALL CAP TRADE OF THE WEEK

US Concrete (USCR) is a \$794M company which trades cheap at 12.68X earnings and 0.53X sales with tailwinds from higher aggregates demand from infrastructure projects. They've seen better gross margins in ready-mix concrete despite weather issues in some key regions like California. Their recent Polaris acquisition is also driving upside with a more scaled footprint.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Altice (ATUS)	Cloudera (CLDR)	Genworth (GNW)
DMC Global (BOOM)	Altice (ATUS)	Pareteum (TEUM)
Barnes & Noble (BKS)	Waste Connections (WCN)	Eros (EROS)
Allstate (ALL)	ITT	Ascena Retail (ASNA)
Outfront (OUT)	Vishay (VSH)	Biohaven (BHVN)
Docusign (DOCU)	Guess (GES)	STAAR Surgical (STAA)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Sesen (SESN)	Century Casinos (CNTY)	Barnes & Noble (BKS)
Rambus (RMBS)	Daktronics (DAKT)	Sprint (S)
Just Energy (JE)	Realogy (RLGY)	Guess (GES)
Outfront (OUT)	ITT	Pagerduty (PD)
SVMK	Waste Connections (WCN)	Vail (MTN)
MSG Networks (MSGN)	Zogenix (ZGNX)	Just Energy (JE)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Outfront (OUT)	Intelsat (I)	Savara (SVRA)
Fitbit (FIT)	Dynavax (DVAX)	Intra Cellular (ITCI)
At Home (HOME)	Valero (VLO)	Assembly Bio (ASMB)
Pareteum (TEUM)	Canopy Growth (CGC)	Jumia (JMIA)
Kraft (KHC)	Nio (NIO)	Athenex (ATNX)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Microsoft (MSFT)	Barnes and Noble (BKS)	Cloudera (CLDR)
JD.com (JD)	Tesla (TSLA)	Altice (ATUS)
US Steel (X)	Nvidia (NVDA)	Waste Connections (WCN)
Cloudera (CLDR)	Wells Fargo (WFC)	Outfront (OUT)
Gold (GLD)	Snap (SNAP)	Docusign (DOCU)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

Las Vegas Sands (LVS)	Gap (GPS)	BHVN, 2,000 October \$65/\$90 call spreads
Square (SQ)	Mastec (MTZ)	I, 1,000 January \$35/\$13 bear risk reversals
Caterpillar (CAT)	Western Digital (WDC)	MA, September \$260/\$220 ratio put spread 1,000X2,000
Baidu (BIDU)	Seagate (STX)	QURE, 2,000 July \$85 / January \$105 call spreads
Equifax (EFX)	United Natural (UNFI)	GRUB, 500 January \$70/\$90 call spreads

Stock Specific News and Notes

Euroclear CEO considering IPO in review, rules out mergers – Reuters

Sprint (S) and **T-Mobile (TMUS)** Still Face Their Toughest Hurdle – WSJ

Apollo (APO) said to be in the lead to acquire **Shutterfly (SFLY)** – Reuters

Ericsson (ERIC), **Nokia (NOK)** said to weigh 'drastic changes' to corporate structures in response to escalating global trade war – Telegraph

Microsoft (MSFT) at E3 unveils next-gen Xbox console for release in late 2020 – Reuters

PG&E (PCG) awarded ability to back out of power-purchase agreements – WSJ

BT said in talks to invest in **Britbox** – Telegraph

Salesforce (CRM) seeking to scale up operations in Japan – Nikkei

Merck (MRK) to acquire Tilos Therapeutics for up to \$773M

Comstock Resources (CRK) to acquire Covey Park Energy for \$2.2B

ING has lost interest in **Commerzbank** takeover – Handelsblatt

Emcore (EMKR) cuts Q3 outlook due to Huawei-related issues

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
LOVE	Lovesac		-\$0.57		\$40.66		
THO	Thor Industries	\$1.65	\$1.66	\$2,506.60	\$2,599.06	11.30%	

Earnings Preview

RH (RH) will report earnings on Wednesday after the close with the Street looking for \$1.55 on \$586.62M in sales, a 5% increase Y/Y. Next quarter is guided to \$2.19 and \$663.51M while the FY is \$8.42/\$2.62B. Shares have traded higher four of the last six and a volatile name with an average closing move of 16.65%. 30-day IV is elevated at 88.5%, the highest level of the last year, with skew slightly bullish at 0.1% vs 2.8%. The \$1.62B company trades 9.35X earnings, 0.65X sales, and 9.87X FCF with mid-double digit growth. RH has seen gross margins continue to climb but rate of expansion slowing the last two quarters. The company cut their FY outlook in March citing negative trends in high-end housing and strategic actions to cut non-core businesses. However, they maintained their long-term targets with CEO Gary Friedman noting that the high-end remains strong overall and a top target for RH as the key area of spending. A better stock market backdrop could also be a potential positive on that front. "Our business is tied to the high end consumer. They're tied to the stock market. It shouldn't be news that volatility in the stock market will shake a brand like ours... that tends to be discretionary." RH has been cautious to cut prices in order to drive volumes. Analysts have an average target for shares of \$145 with 9 buy

ratings, 10 hold, and 1 sell. BAML lowered their PO to \$75 in early late May seeing Q1 basically in-line with estimates. They see risks from tough comps, new debt costs which don't appear to be in the consensus, growing macro headwinds from tariffs, weak high-end housing, and large SALT state exposure. Short interest is 32.1% and around its lowest levels of the last year. Hedge Fund ownership rose 21.3%. Miller Value Partners a top holder with nearly 925K shares while CEO Gary Friedman added over 1M shares.

Friday Afternoon Notables

MasterCard (MA) trade opened the September \$260/\$220 ratio put spread 1,000X2,000 at \$5.45 debit, often utilized to hedge a long stock position

Ford (F) opening buy of 5,000 December \$10 calls for \$0.64

Outfront (OUT) late day buyer of 2,000 September \$30 OTM calls \$0.25 to \$0.30

Service-Now (NOW) with 3,500 June 14th (W) \$287.50 calls bought \$0.70 to \$1 in the last 40 minutes of the trading day

Twilio (TWLO) positions rolled to 2500 June 14th (W) \$144 calls that opened around \$3.15

Marathon Petro (MPC) with 10,000 January \$60/\$75 call spreads bought for \$1.22 to open

Far-Fetch (FTCH) with 8,500 June \$18 puts sold to open down to \$0.25

Just Energy (JE) with 5,000 January \$5 calls bought \$0.25/\$0.30 to open with the Company exploring a potential sale

Exact Sciences (EXAS) late day buy 600 June \$108 calls \$3.40 offer

Apple (AAPL) with 6,500 August \$185 puts opening with many spread versus lower strikes

Alibaba (BABA) with 3,000 July 5th (W) \$150 puts bought to open \$3.65 to \$3.70. BABA also with 2,650 June 2020 \$170 calls bought to open \$15.55 to \$16.

Visa (V) spreads sold 3,000 July \$175 calls to buy the \$160/\$150 put spreads, likely collaring a stock position into recent new highs

Microsoft (MSFT) buyer of 1,500 December \$145 calls to open for \$3.55, also a seller of 1,600 August \$135 puts to open \$6.95, and October \$140 calls bought 2,000X at \$3.35

Medicine Co (MDCO) afternoon buyer of 500 July \$39 calls to open aggressively at \$1.85

BioMarin (BMRN) buyer of 500 June \$80 calls to open \$2.40 to \$2.50

Cimarex Energy (XEC) buyer of 945 July \$60 calls to open \$1.40 to \$1.45

Insmid (INSM) with 500 August \$25 calls bought to open \$2.20 to \$2.35

Accenture (ACN) buyer of 600 June 28th (W) \$187.5/\$192.5 call spreads to open for 6-27 earnings and with the 2,050 \$180 calls in OI from recent buys

Blackstone (BX) opening buy of 6,000 December \$42 puts for \$3.10

Ball Corp (BLL) opening buy 1,000 January 2021 \$57.50 puts for \$3.45

BJ Restaurants (BJRI) strategy put on 1,000 October \$45/\$40 bull risk reversals at \$1.15 debit

Scientific Games (SGMS) buyer of 1,000 January 2021 \$30 calls to open \$4.20 offer

Burlington (BURL) spread bought 1,200 September \$180 calls and sold 1,682 of the \$185 calls

PG&E (PCG) weak close and 1,750 September \$18 puts bought to open \$3.20 to \$3.30 in offer sweeps

Valero (VLO) opening sales of 2,000 January \$60 puts down to \$2.40

UniQure (QURE) bullish activity continued with 2,000 July \$85 / January \$105 call spreads opening

BioHaven (BHVN) late day opening sale 2,000 January \$85 calls \$4.15 into strength

McDonald's (MCD) trade opened 2,000 June 28th (W) \$207.50 calls for \$1.99

Principal Financial (PFG) unusual buys of 3000 July \$60 calls \$0.30 to \$0.40 to open

HD Supply (HDS) to report on 6/11 and 1,300 July \$42.5 puts bought to open \$1.90

Grub-Hub (GRUB) with 2000 far OTM September \$90 calls bought \$1.30 to \$1.35 to open. GRUB also with a buyer of 500 January \$70/\$90 call spreads to open for \$5.65.

Dish Network (DISH) with 2,000 September \$32.50 puts bought to open tied to stock with shares hot in afternoon trading on AT&T rumors

British American Tobacco (BTI) with 3,000 September \$40 OTM calls bought to open \$1.45 to \$1.60 offers in sweeps after July buys earlier in the session

TI (TXN) seller of 3,500 July 5th (W) \$115 calls to open \$1.55 in a buy-write

Carrizo Oil (CRZO) with 5000 July \$10 calls opening \$1.15 to \$1.20 in a stock replacement

Allstate (ALL) with 5,000 July \$105 calls bought \$0.70 after July \$100 calls active earlier in the day

EnCana (ECA) with 5000 July \$5 puts bought to open \$0.40 offer in a sweep

Symantec (SYMC) with 5000 June \$19.50 calls bought into the close to open up to \$0.40

Morgan Stanley (MS) with 10,000 January \$55 calls bought to open for \$0.91

eBay (EBAY) with 12,000 July 5th (W) \$38 calls opening \$0.70 in buy-writes

DexCom (DXCM) strategist sold 300 December \$100 puts to buy the \$140/\$160 call spreads

Okta (OKTA) with 300 January \$155/\$120 bull risk reversals opening at net credits

United Rental (URI) with 600 July \$120 puts bought to open \$5.90 to \$6

Fortinet (FTNT) with 600 September \$75 puts sold to open \$5.85