

TOP STORIES

- Trump Holding Up Trade Deal with China Ahead of G-20 Meeting
- Protests Accelerate in Hong Kong Spooking Markets
- Weekly Mortgage Applications Soar Nearly 27% on Big Rate Drop
- Ackman, Loeb May Fight United Tech, Raytheon Deal

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2882.25 (-4.75)	-3.97
Nasdaq	7493.75 (-24.5)	-23.10
Dow	26025 (-40)	-31.51

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7354.25	-0.60%
DAX	12101.73	-0.44%
Nikkei	21129.72	-0.35%
Hang Seng	27308.46	-1.73%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	CPI	
10:00	Atlanta Fed	
10:30	EIA Petroleum	

FOREX

EUR/USD	1.1322 (-0.06%)
USD/JPY	108.34 (-0.15%)
USD/CAD	1.3293 (0.11%)
GBP/USD	1.2732 (0.08%)
USD	96.18 (-0.50%)

COMMODITY

Oil	51.96 (-2.46%)
Natural Gas	2.39 (-0.39%)
Gold	1338.7 (0.57%)
Copper	2.642 (-1.10%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	16.13 (1.19%)
Nasdaq	VXN	20.28 (1.5%)
Oil	OVX	38.69 (-1.10%)
Gold	GVZ	10.52 (-3.22%)

MARKET OUTLOOK

Futures are indicating a lower open for the day snapping a short winning streak as trade tensions return. POTUS yesterday said that he personally is holding up the trade deal with China and won't agree to anything until China agrees to terms negotiated earlier in the year. China's Xi has yet to respond but in a tough spot optically. Protests in Hong Kong continued overnight as people stand in opposition to proposed extradition rules. The Hang Seng was down almost 2% overnight as the unrest spooked local markets. Boris Johnson launched his campaign to become UK PM today and the focus of his pitch is an exit by Oct. 31. He has yet to commit to not leaving via 'no deal.'

Asian markets were weak overnight with the Nikkei snapping a 3-day winning streak. China CPI was 2.7% in May, as expected, while PPI was 0.6%. Growth slowed month/month. Japanese machinery orders jumped in April by 2.5% vs an expectation for a 5.3% drop. **Softbank** fell 2.5% after more complications for the Sprint/TMUS deal. **Nissan** fell 1% as their governance crisis continues.

European markets are lower this morning following Asia's lead. It was a quiet night in Europe for new data. Spanish CPI was 0.8%, as expected. The ECB's Draghi is speaking at a conference this morning and highlighting the effects of the trade war on Europe. He is specifically looking at the impact on CESEE countries. **Dassault Systems** down 1.5% today after agreeing to a deal for Medidata (MDSO). **Axel Springer** up 12% after KKR offered to buyout their remaining stake. **British American (BTI)** is down 3% after guidance for 2H.

CommScope (COMM) in focus today with Rosenblatt upgrading to Buy, \$22 PT. The firm thinks surging fiber spending ahead of 5G buildouts, led by Verizon, improves the outlook of select companies in the communications equipment sector. CommScope is likely to see improved cable sales in the second half of 2019 ahead of a border 5G deployment in 2020.

S&P TECHNICALS

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



3714 Advancing	Declining 3509
48.7%	46.1%
222 New High	New Low 128
63.4%	36.6%
3374 Above SMA50	Below 4220
44.4%	55.6%
3859 Above SMA200	Below 3735
50.8%	49.2%

KEY EVENTS TO WATCH**Earnings After the Close:** LULU, OXM, RH, TLRD**Analyst Days:** CTXS**Conferences:** E3 Electronics Conf., Morgan Stanley Financials Conf., Deutsche Bank Consumer Conf.**Tomorrow...** Jobless Claims at 8:30 AM, Import/Export Prices at 8:30, EIA Nat Gas at 10:30. **Earnings BMO:** DLTH, SECO, TUFN**ANALYST ACTION/COMMENTS****CymaBay (CBAY)** upgraded to Strong Buy at RayJay**Brinker (EAT)** upgraded to Buy at TAG**NXP Semi (NXPI)** upgraded to Overweight at MSCO**Arcelor Mittal (MT)** upgraded to Buy at Goldman**Alliance Bernstein (AB)** upgraded to Buy at Goldman**Commscope (COMM)** upgraded to Buy at Rosenblatt**Juniper (JNPR)** upgraded to Neutral at Rosenblatt**Dave & Busters (PLAY)** downgraded to Neutral at Wells Fargo, \$48 PT from \$65**Marsh McLennan (MMC)** downgraded to Neutral at Keefe**Cisco (CSCO)** downgraded to Neutral at William Blair**Beyond Meat (BYND)** downgraded to Neutral at Bernstein**Trade Desk (TTD)** downgraded to Reduce at Nomura**Amcor (AMCR)** downgraded to Sell at Goldman**Choice Hotels (CHH)** downgraded to Neutral at BAML**Manpower (MAN)** downgraded to Neutral at CSFB**Lam Research (LRCX)** downgraded to Neutral at EvercoreEvercore initiating **QSR, CMG, MCD, YUM, DRI, CAG, TWNK, POST, MDLZ** at Buy, **CPB, HSY, HAIN, DNKN, GIS, BGS, EAT, TXRH, SBUX, KHC** at Neutral**Wyndham (WH)** initiated Buy at BAML**Misonix (MSON)** initiated Buy at BTIG**Avantor (AVTR)** initiated Buy at Raymond James, \$20 PT**Enphase (ENPH)** initiated Buy at B Riley**MEDIA HIGHLIGHTS**Bill Ackman opposing **United Technologies (UTX)**, **Raytheon (RTN)** deal – WSJ

Third Point also opposes deal - NY Post

Albemarle (ALB) will not participate in LME contract, to raise Chilean lithium output by 30% - Reuters**Mattel (MAT)** rejected unsolicited offer from MGA Entertainment - LA Times**Apple (AAPL)** in talks to buy **Intel's (INTC)** German modem business - The Information**Huawei** partners with carmakers to launch self-driving vehicles - FT**Slack (WORK)** could be valued at up to \$17B in direct listing, Bloomberg**Adidas** holder GBL looking to cut stake - Reuters**Google (GOOG)** aims to move some production out of China. BloombergAmerican Cars Lose Shine in China as Trade Tensions Simmer (**F, GM, FCAU**) – Bloomberg

Trade Deal Could Propel U.S. to Top of China's LNG Supplier List - Bloomberg

China to produce first locally designed DRAM chip – Nikkei

U.S. pet doctors steel themselves for online pharmacy challenge (**CVET, CHWY**) – Reuters**STOCK SPECIFIC NEWS OF NOTE****Neurocrine (NBIX)** to present data showing 'opicapone was generally well tolerated'**PBF Energy (PBF)** to acquire Martinez refinery from Equilon Enterprises for \$1B+**Tesla (TSLA)** CEO Musk says 'feel good about demand'**Citi Trends (CTRN)** CEO Smith to resign**Summit Materials (SUM)** COO resigned effective June 6**Aratana (PETX)** granted FDA approval of NOCITA**Novartis (NVS)** says Phase IIIb MAXIMISE trial met primary, key secondary endpoints**KKR** offers to buy out **Axel Springer** minority shareholders**Dassault** to acquire **Medidata (MDSO)** for \$92.25 per share in cash or \$5.8B

PRE-MARKET MOVERS**Moving Higher:** BYND 5%**Moving Lower:** TTD -5.4%, BTI -4.5%, MDSO -4%,
QCOM -3%, BP -2%, DB -2%**INSIDER TRADING (Form 4 Filings)****Buying:** JNJ, CC, OXY, ATH, FCX, HEAR**Selling:** AYY, TYL, BR, EEF, KO, XEL, TDG, DLTR,
CCK, K, WING, NVEE, QLYS, SPPI, PFPT, ADSK**POTENTIAL SYMPATHY TRADES****OPTION HIGHLIGHTS (Prior Day)**

Advanced Auto (AAP) size buyers today of 4,150 September \$150 calls up to \$11.80 to open and follows buyers of \$545K in January \$155 calls last week. AAP has seen buyers in the June \$155 calls and January \$190 OTM calls over the last couple months as well, although today's action by far the most notable. AAP shares have lagged for much of 2019 and back at key support around \$150 which has held multiple times since mid-2018. MACD and RSI have reset back to key levels since a strong run last year and potential for a nice run with momentum out of this recent downtrend back to \$180. The \$10.98B company trades 16.2X earnings, 1.14X sales, and 17.6X FCF with 15% EPS growth and 2.5% revenue growth. The company is coming off a strong quarter with gross margins expanding driven by better product mix and their inventory management initiatives paying off. They've also done noticeable work to close under-performing stores and reduce expenses. They also posted strong comps in both DIY and professional despite weather issues in Q1. Analysts have an average target for shares of \$191.25 with 14 buy ratings and 3 hold. CSFB with an Outperform and \$195 PT seeing plenty of top-line drivers including ramping benefits from cross banner visibility, marketing changes, potential upside from WMT partnership and other omni-channel initiatives. RBC with a \$178 PT and in May positive noting that the company continues to execute well in a tough environment and management has a lot of levers to significantly enhance performance, including better comp growth and 500+ bps of EBIT margin expansion. Short interest is 4% and down sharply from over 11.5% in 2017. Hedge Fund ownership fell 5% last quarter but activist Starboard Value remains a top holder with 3.175M shares, their second largest. The two reached a deal in November 2015 and Jeff Smith remains on their board.

AFTER HOURS MOVERS**Gainers:** MX 29%, MAT 9.8%, MDSO 5%, CBAY 5%, PETX 4%, TSLA 3.8%**Losers:** PLAY -17%**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

Shutterfly (SFLY)

ConEd (ED)

Acadia (ACHC)

Dillards (DDS)

DHT Holdings (DHT)

DuPont (DD)

Unusual Put Activity

Cloudera (CLDR)

Southwestern (SWN)

Vonage (VG)

HD Supply (HDS)

KB Home (KBH)

Savara (SVRA)

Implied Volatility Riser

Davids Tea (DTEA)

Insys (INSY)

Intra-Cellular (ITCI)

Global Blood (GBT)

Sprint (S)

JC Penney (JCP)

Lowest Put/Call Ratio

Ashland (ASH)

Sprouts (SFM)

Carlyle Group (CG)

BJs Wholesale (BJ)

Live Nation (LYV)

Seattle Genetics (SGEN)

Highest Put/Call Ratio

Takeda (TAK)

Pure Storage (PSTG)

Penn National (PENN)

Ross Stores (ROST)

Alarm (ALRM)

ConEd (ED)

Implied Volatility Decliner

Ascena (ASNA)

Chico's (CHS)

Eros (EROS)

Tilray (TLRY)

H&R Block (HRB)

HD Supply (HDS)

OTM Calls on Offer

GoPro (GPRO)

Johnson Controls (JCI)

Vale SA (VALE)

JD.com (JD)

Nio (NIO)

OTM Puts on Offer

Pretium (PVG)

Olin (OLN)

Eros Int'l (EROS)

Pfizer (PFE)

Morgan Stanley (MS)

Elevated IV30

Savara (SVRA)

Intra-Cellular (ITCI)

Athenex (ATNX)

La Jolla (LJPC)

Beyond Meat (BYND)

Positive Net Delta

Cloudera (CLDR)

Gold (GLD)

Blackberry (BB)

Roku (ROKU)

Walmart (WMT)

Negative Net Delta

GE

Beyond Meat (BYND)

CymaBay (CBAY)

Micron (MU)

Wells Fargo (WFC)

Option Volume Gainers (%)

Shutterfly (SFLY)

ConEd (ED)

Acadia (ACHC)

KB Home (KBH)

Savara (SVRA)

Bullish Call Flow

First Solar (FSLR)

Salesforce (CRM)

Global Blood (GBT)

CSX Corp (CSX)

Target (TGT)

Bearish Put Flow

Hertz (HTZ)

Dupont (DD)

Las Vegas Sands (LVS)

Seagate (STX)

Chemours (CC)

Large Spread Trades

XBI, 6000 August \$82/\$68 put spreads

IFF, 500 August \$160/\$135 bull risk reversals

OXY, 5,000 January \$50/\$57.50 call spreads

I, December \$20/\$35 call spreads opening 1,500X2,000

DELL, 2500 October \$60/\$65 call spreads

Stock Specific News

Reckitt picks PepsiCo man as CEO, going outside for first time – Reuters

BAT (BTI) warns of steeper declines in cigarette sales, – Reuters

Freeport (FCX) to start smelter construction mid-2020 – Reuters

Nintendo starts producing new Switch models outside China to fend off trade war - Verge

KKR Doubles Down on House Flippers - WSJ

Sprint (S), T-Mobile (TMUS) Merger Chances Take Another Hit – WSJ

Cloud Gaming May Be **Microsoft's (MSFT)** to Lose – WSJ

JetBlue (JBLU) reports May traffic up 5.7%

Pacira (PCRX) says new data shows patients using EXPAREL had reduction in opioid use

Extras

Best Buy (BBY) weekly \$62 calls with 4000 opening late up to \$3.50, speaking at Oracle Retail CrossTalk 2019 today

Armstrong (AWI) late day roll of 3000 September \$90 calls to November \$100 calls

Alteryx (AYX) with 1800 June \$100 calls bought late afternoon into Software weakness as a close peer to DATA

United Tech (UTX) late day buy 2000 July \$130 calls \$1.25 to open

JP Morgan (JPM) trade opened 5,500 July \$110 synthetic long positions at \$0.20 debit into weakness

Micron (MU) opening sale 2,000 September \$35 straddles \$6.62

American Water (AWK) unusual opening sale of 1,000 December \$95 puts \$0.95

Pivotal (PVTI) with 1,000 January 2021 \$10 calls opening as the \$30 calls appear to adjust back

Progressive (PGR) opening sellers of 1800 July \$82.50 puts for \$2.40 bid

Option Radar

General Dynamics (GD) with buyers of more than 3,500 July \$180 calls in the afternoon up to \$1 to open, trading 2.7X average volume. GD has seen opening sellers into the June \$155 puts as well as buyers in the June \$170 calls but yesterday's action by far the most notable position in open interest. Shares are consolidating in a range throughout 2019 between \$180 and \$160 and back to May VPOC yesterday. Shares jumped on earnings in April up to \$190 but have faded. Longer-term, GD ran strong from 2012 to 2017 and pulled back to the 50% Fibonacci of the run as well as the 2016 breakout level. The \$48.5B company trades 13X earnings, 1.28X sales, and 4X book with a 2.4% yield. They see 10% EPS growth each of the next two years with sales up 5.2% and 3.6%. GD is coming off a strong quarter

driven by higher deliveries of Gulfstream jets (aerospace revenue growth up 23%). They also saw strength in their IT unit which does contract work for the DoD and executing on synergies from the CSRA acquisition. Their book-to-bill was 1.4X. GD is seeing tailwinds from defense budgeting for FY20 with \$2.2B proposed for Abrams (their land tank) and Stryker (their wheeled vehicles) at \$1B. Analysts have an average target for shares of \$200. Short interest is 0.8% and near its lowest level in two years. Goldman upgraded shares to Buy on 5/19 with a \$204 PT. They think higher Gulfstream margins, the G500/600 ramp, and improving free cash flow can act as catalysts to reverse sentiment on shares. Hedge Fund ownership fell 2.35%.

Biotech Event Focus

Global Blood Therapeutics (GBT) is set to present key data from its Phase 3 HOPE study at EHA on Friday, another pivotal event on the path towards an NDA later this year. The data are exploring 24-week efficacy from the full patient group and includes new safety data not available during the recent abstract. The company announced positive preliminary data in December for the trial which explores voxelotor in the treatment of sickle cell disease. SCD is a genetic mutation which causes the destruction of red blood cells while sickled cells can cause clogs in vessels and organs. It has a high mortality rate and cuts life expectancy rates by 20-30 years. Current treatments are limited to non-curative methods (transfusions) to transplants which are complex and risky. Vox is a once-daily oral therapy to treat SCD which seeks to boost hemoglobin levels in the blood stream. It has shown strong efficacy in targeting anemia and hemolysis in patients. Janney was out positive in mid-May with a \$75 PT. They note the company has already started hiring MSLs to engage in physician education and management is laying out a strong ground for commercial launch pending FDA approval. Wedbush with a \$107 PT on 6/3 given reduced clinical, regulatory, commercial and manufacturing risk along with sufficient cash for initial U.S. launch, strong IP and upside potential from multiple potentially material catalysts. Hedge Fund ownership rose 2.65% last quarter. Perceptive Advisors with 5.5M shares, their third largest position.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
PLAY	Dave & Busters	\$1.13	\$1.14	\$363.58	\$371.72	9.50%	FY Below

MX – Raising Q2 revenue and gross margin guidance due to strength in OLED display drivers and Foundry Services - Revenue in the second quarter of 2019, ending June 30, is now expected to be at least \$194 million, and gross profit margin is expected to be at least 21%. This updated guidance for the second quarter compares to the Company's previous guidance of revenue to be in the range of \$173-181 million and gross profit margin to be in the range of 16-18%. The previous revenue guidance provided on April 30 in conjunction with the public release of the financial results for the first quarter of 2019 reflected an expectation at that time that revenue from MagnaChip's OLED Display drivers would increase by ~30% and that revenue from the Foundry business would be flat, both as compared to the first quarter of 2019. However, revenue for both OLED Display drivers and 8" Foundry services is now expected to

substantially exceed the Company's previously anticipated financial results for the second quarter. Revenue from Power standard products is also expected to be stronger than previously anticipated.