

**TOP STORIES**

- China Industrial Production Slows in May, Weakest in 17 Years
- US Claims Iran Involved in Attack on Tankers in Gulf of Oman
- Beijing Warns US to Stop Interfering in Hong Kong Affairs
- Broadcom Cuts Guidance, Slaps Down Hopes for a 2H Rebound in Chips

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2888.75 (-9.75)</b>	<b>-9.09</b>
<b>Nasdaq</b>	<b>7487 (-62)</b>	<b>-57.68</b>
<b>Dow</b>	<b>26053 (-68)</b>	<b>-74.77</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7323.53</b>	<b>-0.61%</b>
<b>DAX</b>	<b>12068.71</b>	<b>-0.82%</b>
<b>Nikkei</b>	<b>21116.89</b>	<b>0.40%</b>
<b>Hang Seng</b>	<b>27118.35</b>	<b>-0.65%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Retail Sales</b>	<b>0.7%</b>
<b>9:15</b>	<b>Industrial Production</b>	<b>0.2%</b>
<b>10:00</b>	<b>Business Inventories</b>	<b>0.5%</b>
<b>10:00</b>	<b>Consumer Sentiment</b>	<b>98.4</b>

**FOREX**

<b>EUR/USD</b>	<b>1.1254 (-0.19%)</b>
<b>USD/JPY</b>	<b>108.24 (-0.12%)</b>
<b>USD/CAD</b>	<b>1.3342 (0.14%)</b>
<b>GBP/USD</b>	<b>1.2631 (-0.32%)</b>
<b>USD</b>	<b>96.61 (0.10%)</b>

**COMMODITY**

<b>Oil</b>	<b>52.08 (-0.38%)</b>
<b>Natural Gas</b>	<b>2.335 (0.43%)</b>
<b>Gold</b>	<b>1357.9 (1.06%)</b>
<b>Copper</b>	<b>2.6435 (-0.49%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>15.91 (-0.50%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>20.03 (-2.67%)</b>
<b>Oil</b>	<b>OVX</b>	<b>41.56 (-3.48%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>11.68 (5.6%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning after weak data out of China. Industrial output slowed to the weakest pace since 2002 in May. The data is underscoring potential for the POBC to ease while also showing the impact of the trade war between the US/China. In other trade news, hundreds of companies have petitioned POTUS not to impose extra tariffs on Chinese goods. Retailers which are especially impacted led the charge with Walmart and Target up front. They urged Trump to return to the negotiating table. Iran is now the center of attention in the recent attacks on tankers in the Gulf of Oman after the US released video which shows they were involved.

Semi's will be in focus today with **Broadcom (AVGO)** cutting their outlook and some ugly commentary on demand/inventory levels. The company says the Huawei ban and trade war with China will virtually wipe out all of the 2H rebound that was expected. Finally, a lot of biotech news today with EHA kicking off this weekend. **Arqule (ARQL)** the early leader up over 20% pre-market but **bluebird (BLUE)** and **Global Blood (GBT)** will be on watch today as well.

Asian markets mixed overnight with China lower but the Nikkei closing in the green. Energy shares led with crude strong after the attacks in the Gulf of Oman. **Impex** and **Japan Petroleum** up 1.5%. **Sony** jumping 3% after Dan Loeb disclosed a stake and plan to spin off the chips business. South Korea Imports slowed slightly to 4.6% while exports rose to 0.4%. Japanese industrial production was 0.6% as expected. China retail sales rose 8.6% in May, better than the 8% expected. Industrial production slowed to 5% vs 5.4% expected. China fixed asset investment slowed to 5.6% vs 6.1%.

European markets are in the red today, albeit modestly, with chip stocks weighing after Broadcom's warning. **Infineon**, **AMS**, and **Dialog Semi** all fell around 3%. **Scor** was higher by 2% after an upgrade. **DKSH** fell 7% after a downgrade at CSFB. Italian inflation slowed in May while industrial sales were weaker than expected at -1%. French inflation also slowed. German WPI was down to 1.6% vs 2.1%.

**S&P TECHNICALS**

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



<b>5107 Advancing</b>	<b>Declining 2132</b>
<b>67.0%</b>	<b>28.0%</b>
<b>264 New High</b>	<b>New Low 121</b>
<b>68.6%</b>	<b>31.4%</b>
<b>3469 Above SMA50</b>	<b>Below 4127</b>
<b>45.7%</b>	<b>54.3%</b>
<b>3918 Above SMA200</b>	<b>Below 3678</b>
<b>51.6%</b>	<b>48.4%</b>

**KEY EVENTS TO WATCH**

**Economic Data on Monday:** Empire State Manufacturing, Housing Market Index

**Earnings:** None; **Earnings on Tuesday AMC:** JBL, LZB

**Conferences:** Jefferies Global Consumer Conf., Paris Air Show (BA, ERJ, LMT, NOC)

**ANALYST ACTION/COMMENTS**

**Norbord (OSB)** upgraded to Outperform at BMO

**Louisiana Pacific (LPX)** upgraded to Outperform at BMO

**Harmonic (HLIT)** upgraded to Outperform at RayJay

**National Grid (NGG)** upgraded to Outperform at Bernstein

**BJ Restaurants (BJRI)** upgraded to Outperform at OpCo

**Broadcom (AVGO)** upgraded to Buy at Summit

**Avadel Pharma (AVDL)** upgraded to Buy at Ladenburg

**Ashland (ASH)** downgraded to Neutral at JP Morgan

**Commscope (COMM)** downgraded to Outperform at RayJay

**Aon (AON)** downgraded to Neutral at Atlantic

**Transocean (RIG)** downgraded to Neutral at Citi

**Melinta (MLNT)** downgraded to Sell at JP Morgan

**Astronics (ATRO)** downgraded to Sell at Sun Trust

**Barnes (B)** downgraded to Sell at Sun Trust

**Ducommun (DCO)** downgraded to Hold at Sun Trust

**Spirit (SPR)** downgraded to Sell at Sun Trust

**Woodward (WWD)** downgraded to Neutral at Sun Trust

**Charter (CHTR)** started Buy at Rosenblatt

**Comcast (CMCSA)** started Buy at Rosenblatt, \$50 PT

**XBiotech (XBIT)** initiated Overweight at Piper

**ING Group (ING)** initiated Sell at Barclays

**Herc (HRI)** initiated Buy at BAML, \$50 PT

**Yunjai (YJ)** initiated Overweight at JP Morgan, \$14 PT

**Genpact (G)** initiated Buy at Needham

**MEDIA HIGHLIGHTS**

**Tesla (TSLA)** loses key Autopilot engineer to start-up Embark - CNBC

FHFA head: **Fannie (FNMA), Freddie (FMCC)** government guarantee should be limited - Reuters

**Ascena Retail (ASNA)** taps Gordon Brothers to close down Dressbarn chain - WSJ

**WeWork** mulls \$1.9B offer for 70% Indian affiliate stake - Bloomberg

**CBS Corp (CBS)** 'concerned' about leadership in possible Viacom merger - CNBC

**Amazon (AMZN)** seeks to rejuvenate lending business - FT

**Apple (AAPL)** CEO Tim Cook met with President Trump about trade. Reuters

Several companies will invest into Facebook's (FB) digital currency (**V, MA, UBER, PYPL**). WSJ

**Facebook (FB)** aims to increase ad spending. WSJ

**Air Water** aims to acquire **Praxair (PX)** India's east region divestment unit. Gas World

**Total (TOT)** nearing deal to acquire Adani Gas 30% stake for \$1B. Times of India

**STOCK SPECIFIC NEWS OF NOTE**

**Blue Apron (APRN)** announces 1-for-15 reverse stock split

**Bristol-Myers (BMY)** announces data from Phase 4 Orenica study at EULAR

**Alaska Air (ALK)** reports combined May traffic up 1.0%

**Verso (VRS)** to explore strategic alternatives

Third Point confirms \$1.5B investment in **Sony (SNE)**; firm wants SNE to spin chip business

**Align Technology (ALGN), Straumann** Group end talks concerning possible agreement

**Global Blood (GBT)** Phase 3 HOPE study of voxelotor met primary endpoint

**Enanta (ENTA)** says EDP-938 meets primary, secondary endpoints in Phase 2 trial

**Bayer** to invest €5B in alternative weedkillers

**ArQule (ARQL)** announces preliminary results from phase 1 ARQ 531 study at EHA

**Alexion (ALXN)** announces positive Phase 3 extension data for ULTOMIRIS

**PRE-MARKET MOVERS**

**Moving Higher:** ARQL 25%, FVRR 9%, GDX 2%

**Moving Lower:** AVGO -9.3%, STM -5%, MU -3.3%, AMD -3.2%, NVDA -3%, QCOM -2.8%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** OXY, MYOV, ERIE, KIRK, MPC

**Selling:** PEN, FLEX, ZEN, RNG, TWTR, SBUX, AMBR, VRNT, ATH, COUP, SKY, MMS, ROST, ABT

**POTENTIAL SYMPATHY TRADES**

**STM, MU, AMD, NVDA, QCOM, LRCX** – on AVGO guidance cut

**OPTION HIGHLIGHTS (Prior Day)**

**Ring Central (RNG)** with buyers of more than 1,500 July \$120 calls this morning from \$4.80 up to \$5.40 with shares back at the 50-day MA. RNG has seen buyers in the June \$130 calls, December \$115 calls, and December \$125 calls over the last six weeks as well which remain in OI. This is the first test of the rising 50-day MA since April where it last found support and the coiled month-long range targets a move to \$135 on a breakout. Shares have been in a strong long-term trend since early 2017. The \$9.6B company trades 17.50X cash and 13.2X EV/sales with estimates for 25-35% growth in EPS and 20% growth in revenues over the next two years. The communications software company remains a leader in UCaaS with total ARR up 32% and subscriptions up 32% last quarter. Analysts have an average target for shares of \$120.50 with 14 buy ratings and 3 hold. Jefferies raising their PT to \$140 in May seeing their FY outlook at conservative while OpCo with a \$130 PT noting RingCentral is a primary beneficiary of the re-platforming shift for UCaaS and customer service in the SMB market, and is increasingly confident in the company's ability to grow its subscriptions business at Tier 1 rates, while improving operating margins with scale. Deutsche Bank positive noting that their multi-year extension of its partnership with ZM should help quiet the bear case that RingCentral's open platform strategy could leave the company more vulnerable. Short interest is 5% and down slightly from January when it was near 6%. Hedge Fund ownership fell 11.7% but some notable holders including Alkeon, Whale Rock Capital, and Tiger Global with a new stake.

**AFTER HOURS MOVERS**

**Gainers:** FVRR 7%, RRGB 3.9%

**Losers:** AVGO -8.5%

**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

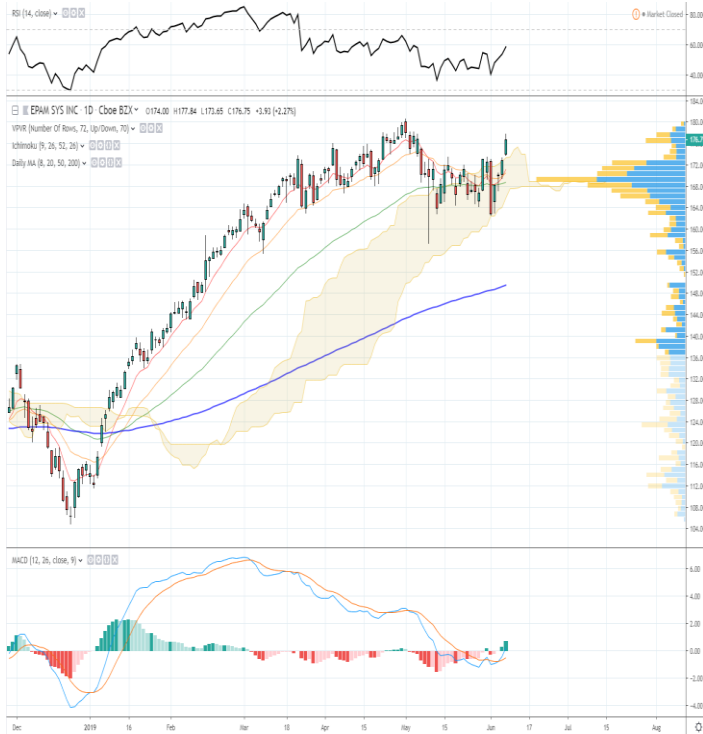
**Fiverr (FVRR)** issuing 5.3M shares at \$18-\$20; Developer of a digital marketplace built with comprehensive SKU-like services catalog

**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
<b>Stock</b>					
<b>Industry Avg.</b>					

**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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
SSR Mining (SSRM)	Nvent (NVT)	Insys (INSY)
Red Robin (RRGB)	Summit Materials (SUM)	Arqule (ARQL)
EQT Corp (EQT)	Hertz (HTZ)	Summit Materials (SUM)
Popular (BPOP)	Savara (SVRA)	Tellurian (TELL)
Summit Materials (SUM)	Pampa Energia (PAM)	Callaway (ELY)
Hertz (HTZ)	Microchip (MCHP)	Overstock (OSTK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Werner (WERN)	Fortune Brands (FBHS)	Savara (SVRA)
Kinross (KGC)	58.com (WUBA)	Tailored Brands (TLRD)
Eagle Materials (EXP)	Criteo (CRTO)	Duluth (DLTH)
Insulet (PODD)	Pluralsight (PS)	Lululemon (LULU)
Louisiana Pacific (LPX)	Landstar (LSTR)	HEXO (HEXO)
Cara Therapeutics (CARA)	Embraer (ERJ)	Stamps.com (STMP)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Antero (AR)	Sprint (S)	Intra-Cellular (ITCI)
Knight Swift (KNX)	Transocean (RIG)	Athenex (ATNX)
Cameco (CCJ)	Criteo (CRTO)	Zynerba (ZYNE)
EQT Corp (EQT)	Blackstone (BX)	Beyond Meat (BYND)
Dish Network (DISH)	Tesla (TSLA)	Pyxus (PYX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Disney (DIS)	Merck (MRK)	Nvent (NVT)
Chesapeake (CHK)	Cara Therapeutics (CARA)	Summit Materials (SUM)
Dominion (D)	Mittal Steel (MT)	Hertz (HTZ)
Knight Swift (KNX)	Ford (F)	Popular (BPOP)
Dropbox (DBX)	Tyson (TSN)	Summit Materials (SUM)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Knight Swift (KNX)	Univar (UNVR)	ZGNX, July \$35/\$28 put spread 2,500X
Anaplan (PLAN)	CBS Corp (CBS)	FFIV, January 2021 \$150/\$200 call spread 400X800
Iron Mountain (IRM)	Zogenix (ZGNX)	PLAN, August \$45/\$55 call spread 400X
Avalara (AVLR)	Universal Display (OLED)	TTWO, December \$115/\$130 call spread 1,000X
Ring Central (RNG)	Stryker (SYK)	WDC, 16,000 January OTM \$55/\$65 call spreads



## Stock Specific News

Chip demand for 5G phones ramping up – Digitimes

**Lufthansa** Forecast Looks Cloudy With Little Chance of Profit - Bloomberg

China sent official inquiry to **FedEx (FDX)** regarding parcels delivery – Reuters

**Pernod Ricard** adds U.S. premium brand Rabbit Hole Whiskey to its portfolio – Reuters

Hotel Site Files Antitrust Complaint Against **Expedia (EXPE)** and **Booking (BKNG)** – Skift

**Nintendo**: we're 'evaluating' streaming – Tech Crunch

**Regeneron (REGN)** announces 'positive early-stage data' for REGN1979

**Kura Oncology (KURA)** says primary endpoint achieved in Phase 2 trial of tipifarnib

## Extras

**Russell (IWM)** the July \$150/\$142 put spread bought 10,000X for \$1.64

**Nasdaq (QQQ)** the July 5<sup>th</sup> (W) \$182/\$171 put spread bought 5,500X

**Blackstone (BX)** afternoon spreads sold 5,000 September \$47 calls to buy the December \$40 puts for a net debit of \$0.80

**Abbvie (ABBV)** with another 7,000 September \$85 calls sold to open into the close down to \$1.08

**Paychex (PAYX)** with 2,000 September \$90 calls sold to open today for \$2.00 down to \$1.87

**Tailored Brands (TLRD)** closing strong with 3,500 July \$5 calls bought for \$0.65 to \$0.70

**nVent (NVT)** with 6,000 July \$22.50 puts bought for \$0.48 as the June puts adjust

**Axis Capital (AXS)** with 5,000 July \$65 calls opening for \$0.30 as the June \$60 calls roll out

**Semtech (SMTC)** late day buyer of 1,000 July \$47 calls for \$0.90 to \$1.05

**Grub Hub (GRUB)** buyer of 850 September \$65 calls for \$11.50 to \$11.80

**XPO Logistics (XPO)** with 385 January 2021 \$50 calls opening \$17.10 to \$17.30

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AVGO	Broadcom	\$5.21	\$5.18	\$5,517.00	\$5,696.15	10.00%	FY Below

CMCM	Cheetah Mobile		\$0.33		\$1,069.97		
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**AVGO – Beat on EPS and Missed on Revenues, Cutting FY** - "We executed according to plan in the second quarter with tailwinds from networking offsetting the anticipated headwinds from wireless," said Hock Tan, President and CEO of Broadcom Inc. "We currently see a broad-based slowdown in the demand environment, which we believe is driven by continued geopolitical uncertainties, as well as the effects of export restrictions on one of our largest customers. As a result, our customers are actively reducing their inventory levels, and we are taking a conservative stance for the rest of the year. We remain well-positioned across our various semiconductor and software businesses and are confident this portfolio of franchises will continue to drive sustained long-term revenue growth and increasing free cash flow." "We achieved record free cash flow of \$2.5 billion growing 20% year over year in the second quarter," said Tom Krause, CFO of Broadcom Inc. "Despite the challenging market backdrop and updated revenue outlook, we still expect to grow free cash flow by a double-digit percentage for the year. In addition, we remain focused on completing a total of \$8 billion of share repurchases and eliminations in fiscal 2019."

### IPO Focus

**Grocery Outlet (GO)** is set to debut next week offering 17.2M shares in an IPO priced between \$15 and \$17. The company hopes to raise \$100M in the deal. GO is a 73-year-old deep discount supermarket which has around 316 stores in the US, mainly in the Western US. They'll open another 30 in 2019 and long-term expect to hit 2,000 additional stores. Their strategy is similar to Ollies Bargain Outlet (OLLI) or Ross Stores (ROST) in that they opportunistically buy brand names products from suppliers that are looking to offload inventory. They take advantage of situations like order cancellations, overflow inventory, and changes in packaging which require new inventory to be shipped. GO's mix is 50% opportunistically sourced products which they can price 40-70% below conventional retail. Like peers Kroger (KR), Sprouts (SFM), and Albertsons they sell groceries, produce, frozen foods, alcohol, beauty, and other products but applied through the 'treasure hunting' lens which has made names like TJX successful. They estimate they have around 5,000 changing SKUs to keep stores fresh. The company is profitable and has posted 15 years of sales growth with an average comp of 5.1%. In 2018 they did \$2.8B in sales.

