

TOP STORIES

- Commerce Sec. Ross: Low Expectations for Trump, Xi Meeting at G20 as Talks Continue
- POTUS, Senate GOP Unable to Agree on Debt Ceiling Increase
- USTR Hearings on Potential \$300B China Tariff Tranche Starts Today
- Hong Kong Suspends Extradition Legislation as Protests Continue
- Pfizer Acquires Array in \$11.4B Deal

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2895.75 (1)	3.57
Nasdaq	7513.25 (8.5)	3.14
Dow	26131 (3)	22.39

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7336.72	-0.12%
DAX	12093.82	-0.02%
Nikkei	21124	0.03%
Hang Seng	27227.16	0.40%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Empire State Mfg.	10.0
10:00	Housing Market Index	67
4:00	Treasury Int'l Capital	

FOREX

EUR/USD	1.1216 (0.08%)
USD/JPY	108.67 (0.11%)
USD/CAD	1.341 (-0.01%)
GBP/USD	1.2584 (-0.05%)
USD	97.01 (-0.06%)

COMMODITY

Oil	51.85 (-1.26%)
Natural Gas	2.383 (-0.17%)
Gold	1337.5 (-0.52%)
Copper	2.625 (-0.17%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.28 (-3.41%)
Nasdaq	VXN	19.85 (-0.90%)
Oil	OVX	42.89 (3.20%)
Gold	GVZ	11.90 (1.88%)

MARKET OUTLOOK

Futures are indicating a higher open for the week, albeit relatively quiet with the focus on the Fed later this week. We'll also get commentary from the BOE and BOJ this week which will give insight into how trade is impacting the global economy. No changes are expected for any of the three. Commerce Sec. Wilbur Ross was on Bloomberg this weekend noting that trade talks with the EU are on hold given a lack of clarity following Parliamentary elections. He also said that US will continue to evaluate the next tranche of tariffs on China as expectations for a G20 meeting are low. A focus on aerospace this morning with the Paris Air Show kicking off. **Boeing (BA)**, **Airbus**, and other competing for new orders which are expected to slow Y/Y. Airbus winning a \$4.1B deal from **Virgin Atlantic** and also inking a deal with **Air Lease (AL)**.

POTUS gave a wide-ranging interview with ABC over the weekend where he talked about launching his 2020 campaign this week, Russia, North Korea and many other topics. On healthcare, the President said he plans to release a new plan to replace the ACA within two months.

Asian markets were mixed overnight with the Nikkei closing basically flat. Volumes were about 30% below average with the focus on the Fed and trade, two big unresolved issues. **Morinaga Milk** up 13.5% this morning after an upgrade. **Rakuten** up 4.2% and near a new two-year highs. **Japan Display** down 7% after TPK decided against investing in the firm. **5G** play **Anritsu** down 2%.

European markets are modestly lower this morning, although back and forth into positive territory on light volumes. Financials are leading with **Deutsche Bank** and **HSBC** strong. The former up 3% after reports it will create a 'bad bank' to house €50B in assets. **Lufthansa** fell 11.5% after cutting its outlook. **EasyJet** and **IAG** also down 2.5% to 3% in sympathy. It was a quiet morning for data in the EU. Eurozone wages rose 2.5% in Q1, up from 2.3% in the prior reading. The labor cost index rose slower than forecast at 2.4% vs 2.6%.

S&P TECHNICALS

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



2414 Advancing	Declining 4797
31.7%	63.0%
238 New High	New Low 175
57.6%	42.4%
3251 Above SMA50	Below 4345
42.8%	57.2%
3799 Above SMA200	Below 3797
50.0%	50.0%

KEY EVENTS TO WATCH

Earnings: None

Analyst Days: INCY, UTX, RTN;

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

Tomorrow... FOMC Meeting Begins, Housing Starts at 8:30 AM. **Earnings on Tuesday AMC:** JBL, LZB

ANALYST ACTION/COMMENTS

Deere (DE) upgraded to Outperform at Baird

Titan Machinery (TITN) upgraded to Outperform at Baird

Corteva (CTVA) upgraded to Buy at Deutsche Bank

Keurig (KDP) upgraded to Outperform at BMO

Symantec (SYMC) upgraded to Buy at Mizuho

Equinor (EQNR) upgraded to Hold at Santander

SAP upgraded to Buy at HSBC

Mosaic (MOS) upgraded to Buy at BAML

Disney (DIS) downgraded to Neutral at Imperial

Kinder Morgan (KMI) downgraded to Hold at Stifel

Dow (DOW) downgraded to Neutral at BMO

Amphenol (APH) downgraded to Neutral at Longbow

Sensata (ST) downgraded to Neutral at Longbow

TE Connectivity (TEL) downgraded to Neutral at Longbow

Paysign (PAYS) downgraded to Neutral at BTIG

Lyondell (LYB) downgraded to Hold at Deutsche Bank

Endo (ENDP) downgraded to Neutral at Citi

Union Pacific (UNP) downgraded to Neutral at Bernstein

Bicycle Therapeutics (BCYC) started Buy at Piper

Kontoor (KTB) initiated Buy at Guggenheim

Rattler Midstream (RTLRL) initiated Buy at Seaport

DBV Tech (DBVT) initiated Buy at Goldman

Lamb Weston (LW) initiated Neutral at JP Morgan

Ideaya (IDYA) initiated Buy at Citi

MEDIA HIGHLIGHTS

Airbus CEO tells EU countries to be ready for no-deal Brexit - Bloomberg

Dish Network (DISH) leads bidding for **Sprint (S)**, **T-Mobile (TMUS)** assets - WSJ

Trials nearing for **Boeing (BA)** 737 Max fix; says will take time to rebuild customer confidence - WSJ

Target (TGT) registers back online after outage blamed on tech issue – Reuters

Deutsche Bank (DB) to set up EUR50B bad bank – FT

Goldman (GS) combining private-investing units - WSJ

Uniqure (QURE) to explore options including sale - Bloomberg

STOCK SPECIFIC NEWS OF NOTE

Incyte (INCY) announced results from Phase 2 study of Ruxolitinib cream in vitiligo

Blueprint Medicines (BPMC) presents updated EXPLORER trial data for Avapritinib

Amgen (AMGN) announces BLINCYTO five-year overall survival data

Aclaris Therapeutics (ACRS) reports 'positive' results from Phase 2 trial of ATI-502

Airbus launches A321XLR single-aisle airliner

W.R. Grace (GRA) acquires assets of Rive Technology

Century Casinos (CNTY), **Vici (VICI)** to acquire three casinos from **Eldorado Resorts (ERI)** for \$385M

Calithera Biosciences (CALA) reports 'positive' results from Phase 2 ENTRATA study

VBI Vaccines (VBIV) Phase 3 study of Sci-B-Vac met both of its co-primary endpoints

Veoneer (VNE) acquires Nissin Kogyo's interests in U.S. VNBS operations

Air Lease (AL) announces lease placement of new Boeing 787-10 aircraft with KLM

C&J Energy Services (CJ), **Keane Group (FRAC)** to combine in all-stock merger of equals

Pfizer (PFE) to acquire **Array BioPharma (ARRY)** for \$48.00 per share in cash, or \$11.4B

Crane (CR) commences tender offer to acquire **CIRCOR (CIR)** for \$45 per share in cash

PRE-MARKET MOVERS

Moving Higher: ARRY 58.9%, QURE 7%, BYND 3.8%, RBS 2.2%, XBI 1.7%

Moving Lower: CHWY -3%, BP -1.2%

INSIDER TRADING (Form 4 Filings)

Buying: ITCI, GES, ETM, BECN, AXGN

Selling: RNG, RDNT, GKOS, NEWR, SWKS, BPMC, EW, SBAC, BOOT, SO, NOW, DXCM

POTENTIAL SYMPATHY TRADES

BPMC, EXEL, DCPH, AMRN – on the ARRY deal

BA, AL, SPR, TGI, AER – on the Paris Air Show

OPTION HIGHLIGHTS (Prior Day)

Kemet (KEM) more bearish flow with 1,775 August \$16 puts bought for \$1.40 and then volume jumping to 5,000 with a bigger block at \$1.55, aggressive trade. KEM has seen the \$17 puts with over 9,500 bought already this week. Shares are back near key support at \$16 and potential breakdown of a major range which stretches back to early 2018. KEM has support down at \$12.50 while resistance above the declining 20- and 50-day MA has been steadfast since March. The \$978M company trades 5.2X earnings, 0.71X sales, and 4.7X cash with a 1.2% yield. KEM sees mid-single digit EPS growth and revenue growth of 4-5% after being in the mid-teens growth in 2019 and 2020. KEM provides passive electronic components including solid capacitors, film, and electro-magnetic sensors for various industries. Their biggest exposure is to industrial and personal computers with automotive and telecom also key areas. KEM faces risks from a slowdown in the mobile device market which utilizes their ceramics line. Their biggest exposure is to automotive where they've already noted a slowdown in orders from the distribution channel and future issues could crop up as they face supply issues with MLCC supply. Analysts have an average target for shares of \$26 with limited coverage, just two Buy ratings. B Riley with a \$26 PT in May noting that the company's long-term outlook should ease investor concerns. Institutional ownership fell 35%. RenTech, Copper Rock, and Maplelane Capital all selling out of positions. Short interest is 9.8% and up from around 3.5% in October 2018.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.65	Rising / Cautious
CBOE Index Put/Call Ratio	1.16	Rising / Cautious
CBOE Skew Index	113.33	Multi-Month Lows
VIX Curve	Contango	Normal
CNN Fear & Greed Index	38	Fear
NYMO	19.85	Neutral
NYSE New Highs	139	Neutral
McClellan Summation	369.59	Above 8-EMA
Univ. of Michigan Consumer Sentiment	100.0 (May Final)	Strong

SMART MONEY (13g/13d Filings)

IPO MONITOR

Grocery Outlet (GO) issuing 17.2M shares at \$15-\$17; Extreme value retailer of name-brand consumables and fresh products in a 'treasure hunt' format

Slack (WORK) issuing 118.4M shares in a direct listing; Developer of cloud-based tools that facilitate work-place collaboration

Biotech listings from **STOK, PSNL, PRVL, and DRMT**

TRADE

WEEKLY TECHNICAL BREAKOUT

WCN:



Waste Connections (WCN) shares are consolidating in a multi-week bull flag under \$95 with a breakout targeting \$100 and a continuation of the long-term trend higher. MACD is off of recent highs and curling higher, near a bull cross, and RSI is clearing a downtrend.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Columbia (COLM)

Price: \$98.75

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	23.3X	2.4X	3.9X	13.2X	35.8X
Industry Avg.	24.4X	1.5X	4.4X	12.1X	29.8X

Analysis: COLM is a \$6.63B retailer which trades 19.65X earnings and 2.33X sales with double-digit growth and strong comps. COLM has pulled back to the February gap support and basing nicely under \$98 with a move higher targeting a big VPOC above at \$105. COLM's sportswear brands and broad product line gives them strength into the FY and fall run.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

MU:



Micron (MU) shares are consolidating in a bear flag under the declining 20- and 50-day MA with a move under \$32 targeting the December lows at \$28.50. MU has a larger weekly bear flag in play as well under that level which has room back to the 2016 low-range.

PAIR TRADE OF THE WEEK

Industry: Cruises

Long/Short: Long Royal Caribbean (RCL), Short Carnival Cruise (CCL)

Analysis: RCL had a far more upbeat tone than peers last quarter despite macro issues and well positioned with new ship launches as a key catalyst. CCL is facing headwinds in Europe and Alaska pricing while taking down estimates for the FY to single-digits vs peers.

SMALL CAP TRADE OF THE WEEK

Innospec (IOSP) is a \$2B chemicals company which trades 15.6X earnings and 1.39X sales. The company focuses on fuel specialties like octane additives. IOSP is seeing better product mix which is helping margins. IMO 2020 is a big future catalyst with sales in the IMO products starting to ramp, and those will be higher margin products than others.

DAILY OPTIONS REPORT

Unusual Call Activity

Unusual Put Activity

Implied Volatility Riser

Ampio (AMPE)	Univar (UNVR)	Riot Blockchain (RIOT)
SSR Mining (SSRM)	Legg Mason (LM)	Daktronics (DAKT)
Global Blood (GBT)	Sierra Wireless (SWIR)	DISH Network (DISH)
Crown (CCK)	Masco (MAS)	Moderna (MRNA)
G-III Apparel (GIII)	Cheesecake Factory (CAKE)	Kroger (KR)
Fidelity (FNF)	KKR (KKR)	Biohaven (BHVN)

Lowest Put/Call Ratio

Highest Put/Call Ratio

Implied Volatility Decliner

Alamos (AGI)	Jacobs (JEC)	ArQule (ARQL)
Kratos (KTOS)	ITT (ITT)	Sprint (S)
Incyte (INCY)	Telecom Argentina (TEO)	Uniqure (QURE)
iNfinera (INFN)	TransDigm (TDG)	Raytheon (RTN)
Unum (UNM)	Legg Mason (LM)	Gamestop (GME)
Uniqure (QURE)	Helmerich (HP)	Darden (DRI)

OTM Calls on Offer

OTM Puts on Offer

Elevated IV30

Diamond Offshore (DO)	China Mobile (CHL)	Intra Cellular (ITCI)
Hertz (HTZ)	Goodyear (GT)	Athenex (ATNX)
Box (BOX)	Legg Mason (LM)	Zynerba (ZYNE)
Transocean (RIG)	Cliff's (CLF)	Beyond Meat (BYND)
ArQule (ARQL)	Avis Budget (CAR)	Pyxus (PYX)

Positive Net Delta

Negative Net Delta

Option Volume Gainers (%)

Transocean (RIG)	Advanced Micro (AMD)	Univar (UNVR)
Facebook (FB)	Silver (SLV)	Legg Mason (LM)
Disney (DIS)	Bank of America (BAC)	Sierra Wireless (SWIR)
Masco (MAS)	Kroger (KR)	G-III Apparel (GIII)
Cisco (CSCO)	Pepsi (PEP)	Fidelity (FNF)

Bullish Call Flow

Bearish Put Flow

Large Spread Trades

DocuSign (DOCU)	Goodyear (GT)	RIO, 2,500 October \$62.50/\$57.50 bull risk reversals
Guardant (GH)	Intrexon (XON)	APH, 400 August \$95/\$80 put spreads
Hubspot (HUBS)	Teva (TEVA)	
Zillow (Z)	Bank of America (BAC)	
Allergan (AGN)	Kroger (KR)	

Stock Specific News

Walmart (WMT) offers 'Delivery Unlimited' subscription for \$98/year, TechCrunch

JD.com (JD) could list logistics unit in the future, no current plans, Reuters

GE Aviation (GE) redesigning part for GE9X jet engine, Reuters

Barron's positive on **UTX, RTN, ABC, MCK, CAH**; cautious **WORK**

Charlie Ergen aims to raise \$10B for new telecommunications company (**S, TMUS, VZ, T**). NY Post

China says **Fedex (FDX)** investigation is not about retaliation. Reuters

Huawei CEO Ren Zhengfei expects sales to drop \$30B over next two years – Reuters

Apple (AAPL) financing six low budget films that could win Academy Awards (NFLX). NY Post

Notebook supply chain sees significant increases in orders for June and July - Digitime

Swine Fever Having Massive Impact on China Pork Supply – Bloomberg

Sprint (S), T-Mobile (TMUS) Approval, Said to Be Near, Could Undercut Challenge by States – NYT

Prosperity (PB) to buy peer **LegacyTexas Financial (LTXB)** for \$2.1B – Reuters

Nvidia (NVDA) to work with Arm chips, deepening push into supercomputers – Reuters

Google (GOOGL) Pays for Big Tech's Sins – WSJ

No Easy Fix for **Legg Mason (LM)** and Other Money Managers – WSJ

Lockheed Martin (LMT) does not see F-35 impact from Raytheon-UTC merger, Reuters

Aecom (ACM) announces intent to spin off government services business

Stifel (SF) to acquire capital markets business of GMP Capital

BeiGene (BGNE), Celgene (CELG) to terminate global collaboration for tislelizumab

Alnylam (ALNY) announces lumasiran results, full patient enrollment in ILLUMINATE-A

Synchrony (SYF) reports May net charge-off rate 4.91% vs. 5.11% last month

Invitae (NVTA) to acquire Singular Bio for approximately \$55M

Extras

Whiting (WLL) buyers of 3,000 July \$18 calls bought for \$0.55 to \$0.59 into the close

VF Corp (VFC) seeing 1,000 June \$90 calls close and roll out to buy 1,000 July \$87.50 calls for \$3

Teva Pharma (TEVA) buyers of 5,000 January \$9 calls for \$1.26 to \$1.27

Zillow (ZG) buyer of 1,000 August \$45 calls for \$3.90 as some \$50 calls adjust

Universal Display (OLED) with 750 June 28th (W) \$165 calls opening \$10.35 to \$10.45

United (UAL) with 650 December \$85 calls bought up to \$8.90

Amphenol (APH) with 400 August \$95/\$80 put spreads bought for \$3.40