

TOP STORIES

- Global Markets Steady Ahead of Fed
- Trump Weighing Sanctions Against Turkey
- Japan Exports Slide for 6th Month as Trade Troubles Knock Demand
- Weekly Mortgage Applications Fall as Rates Rise, Volume Higher Y/Y

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2923.75 (0.50)	4.05
Nasdaq	7678.75 (5.25)	14.35
Dow	26517 (13)	36.46

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7424.01	-0.26%
DAX	12337.56	0.05%
Nikkei	21333.87	1.72%
Hang Seng	28202.14	2.56%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:30	EIA Petroleum	
2:00	FOMC Announcement	
2:30	Fed Chair Press Conf.	

FOREX

EUR/USD	1.1203 (0.11%)
USD/JPY	108.38 (-0.06%)
USD/CAD	1.3379 (0.02%)
GBP/USD	1.2581 (0.20%)
USD	97.07 (-0.09%)

COMMODITY

Oil	53.92 (0.04%)
Natural Gas	2.324 (-0.17%)
Gold	1346.5 (-0.30%)
Copper	2.692 (-0.41%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.17 (-1.17%)
Nasdaq	VXN	19.66 (-1.90%)
Oil	OVX	43.43 (-5.89%)
Gold	GVZ	12.40 (3.42%)

MARKET OUTLOOK

Futures are indicating a modestly higher open for the morning with the focus on the Fed meeting and press conference later today. The expectation now is for no action today with CME Watch indicating 75.8% probability of no cut. July's meeting, however, has a 64.7% probability of a 25 bps cut to rates. Chair Jerome Powell is facing intense political pressure and all eyes on the Q&A where he is likely to face questions about the President. Former Fed Vice Chair Stanley Fischer has suggested that political pressure led them to raise rates in December. Elsewhere, POTUS kicked off his re-election bid in Florida yesterday however nothing of note in the speech. Trump is weighing sanctions against Turkey for purchasing a Russian missile system. On the trade front, the focus remains G20 next week where the US and China will meet.

Asian markets were strong overnight following the US lead with the HSI up over 2.5%. The Nikkei closed near 6-week highs. Japanese exports fell 7.8% in May and imports fell 1.5%, both below expectations. Tech led with **Advantest** up 5.4% and **TDK** up 4.6%. Machinery also strong with **Fanuc** up 2%. **Nomura** jumped over 10.5% after announcing a buyback of 8.6% of their shares. **Japan Display** higher by 10.9% after reports that Apple may help the company.

European markets are mixed this morning after their best day in five months yesterday following Draghi's comments. UK CPI was in line with expectations at 2% while PPI rising in May. German PPI fell to 1.9% vs 2.1% estimated and 2.5% prior. Germany's **Siltronic** rebounded today up 4%. Auto stocks rose with **Fiat (FCAU)** leading the way. **Carl Zeiss** down 4% after BAML started at Sell. More defensive areas like staples, healthcare, and utilities lagged.

TripAdvisor (TRIP) in focus today after being upgraded to Buy at Sun Trust. They have a \$60 PT citing growth in Experiences which has "reached critical mass" and, along with stabilization in Core, should lead to accelerating growth for overall TripAdvisor revenue in FY20.

S&P TECHNICALS

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



5418 Advancing	Declining 1834
71.2%	24.1%
506 New High	New Low 99
83.6%	16.4%
3853 Above SMA50	Below 3730
50.8%	49.2%
4068 Above SMA200	Below 3515
53.6%	46.4%

KEY EVENTS TO WATCH**Earnings After the Close:** AOBC, ORCL, SCS**Analyst Days:** HQY, MATW, SHOP**Conferences:** Paris Air Show, Jefferies Global Consumer Conference, Oppenheimer Consumer Conference**Tomorrow...** Jobless Claims at 8:30 AM, Philadelphia Fed at 8:30, Leading Indicators at 10:00, EIA Nat Gas at 10:30.**Earnings Before the Open:** CMC, DRI, KR, MEI**ANALYST ACTION/COMMENTS****Lamb Weston (LW)** upgraded to Buy at Goldman**National Cinemedia (NCMI)** upgraded to Outperform at Wedbush**Six Flags (SIX)** upgraded to Outperform at Wedbush**TripAdvisor (TRIP)** upgraded to Buy at SunTrust**Energizer (ENR)** downgraded to Underweight at JP Morgan**Mirati (MRTX)** downgraded to Neutral at B. Riley FBR**Royal Gold (RGLD)** downgraded to Hold at Canaccord**Sabre (SABR)** downgraded to Sell at Goldman**SunPower (SPWR)** cut to Neutral at Raymond James**American Express (AXP)** resumed with a Buy at BAML**Discover Financial (DFS)** resumed Neutral at BAML**First American (FAF)** initiated with a Positive at Susquehanna**Fiserv (FISV)** resumed with an Outperform at Wells Fargo**Fidelity National (FNF)** initiated with a Positive at Susquehanna**NETGEAR (NTGR)** initiated with a Buy at Guggenheim**Paylocity (PCTY)** initiated Overweight at Cantor, \$113 PT**Upwork (UPWK)** initiated Overweight at Cantor, \$19 PT**Nanometrics (NANO)** initiated Buy at B Riley**MEDIA HIGHLIGHTS****CBS Corp (CBS)** board discussed offer for **Viacom (VIAB)**, bid could come in weeks - WSJ**Dish Network (DISH)** near \$6B acquisition of **Sprint (S)**, **T-Mobile (TMUS)** assets - Bloomberg**NCR** bidders have walked away in recent weeks - NY Post**PG&E (PCG)** to pay \$1B to some CA communities to settle wildfire claims - WSJ**Apple (AAPL)** explores moving 15%-30% of production capacity from China – Nikkei**Merck (MRK)** seeing small, midsize deals to expand cancer treatment portfolio – WSJ**Amazon.com (AMZN)** expanding next-day delivery with more rented jets – WSJ**TSMC (TSM)** to kick off shipments for new **Xilinx (XLNX)** 7nm chips – Digitimes**KKR (KKR)** Nears Partial Exit From \$2 Billion Helicopter Firm – Bloomberg**Bank of Montreal (BMO)** CEO Surpasses U.S. Growth Target in Six Months – Bloomberg**Huawei's** Troubles Are a Big Opportunity for **Ericsson (ERIC)** and **Nokia (NOK)** – Bloomberg**SoftBank** to double 'unicorn' bets – Nikkei**Boeing (BA)** signs \$100M in services deals at order-light air show – ReutersActivists urge **Google (GOOG)** to break up before regulators force it to – Reuters**STOCK SPECIFIC NEWS OF NOTE****Allergan (AGN)**, **Ironwood (IRWD)** say LINZESS trial met primary multi-component endpoint**Spark Networks (LOV)** gets approval to buy Zoosk, sees \$50M in adjusted EBITDA**Genesee & Wyoming (GWR)** reports May same railroad traffic down 5.8%**Macom (MTSI)** to lay off 20% of staff or 250 workers, cutting Q3 guidance**HP Enterprise (HPE)** to transition into an as a Service company by 2022**Barrick Gold (GOLD)** plans to 'engage intensively' with Acacia's minority shareholders**US Steel (X)** lowers Q2 outlook

PRE-MARKET MOVERS

Moving Higher: ADBE 4.5%, X 3.5%, CHWY 2.9%

Moving Lower: YY -5.4%

INSIDER TRADING (Form 4 Filings)

Buying: PSEC, CSU, GIII, VERI, GOOG

Selling: EQR, AMD, FSLR, BFAM, FND, DLTR, ZBRA, HEI, SHOO, HSY, MORN

POTENTIAL SYMPATHY TRADES

KN – on JBL earnings

CRM, ADSK, ORCL – on ADBE earnings

OPTION HIGHLIGHTS (Prior Day)

Nasdaq (NDAQ) with 1,000 September \$95 calls opening today for \$4.33 as some June calls adjust and follows buyers of 1,000 July \$95 calls last week. NDAQ has over 550 September \$97.50 calls in open interest from buyers in early June as well. NDAQ shares are flagging in a small range just below \$97 and a big weekly flag breakout. The longer-term move targets \$110 and continuation of a long run higher for the Exchange stock leader. The \$15.73B company trades 17.6X earnings, 3.7X sales, and 22.7X cash with a 2% yield. NDAQ sees mid-single digit EPS growth and sales growth of 4.5% and 3.8% over the next two years. NDAQ is coming off a strong quarter with strength from non-trading segments like tech services helping drive margin growth. The company continues to see strong long-term visibility as software subscriptions become a bigger part of their mix. The company recently dropped out of bidding for Oslo Bors, one of Europe’s last big independent operators, but the move a strong sign the company is open to spending on bigger deals to expand their product portfolio and scale. Analysts have an average target for shares of \$97.50 with 7 buy ratings and 5 hold ratings. Argus starting at Buy and a \$97 PT in February. The firm thinks NDAQ will continue to benefit from the secular trends in its core data and listings business, including increased demand for real-time data and analytics, the growing popularity of passive index investing, and the need for greater price transparency. Short interest is 1.9% and down from around 3% in late 2018. Hedge Fund ownership fell last quarter but CPPIB a buyer of shares.

AFTER HOURS MOVERS

Gainers: ADBE 4.6%, ARQL 3%, CVE 2.7%, JBL 2.6%, SPWR 2%, CHWY 1.7%

Losers: MTSI -9%, LZB -7.7%

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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Outfront (OUT)	Petmed (PETS)	Dova Pharma (DOVA)
Discovery (DISCK)	Plantronics (PLT)	Moneygram (MGI)
Intrexon (XON)	Sprouts (SFM)	Acco Brands (ACCO)
Renewable Energy (REGI)	Red Robin (RRGB)	Geron (GERN)
Sun Power (SPWR)	Cal-Maine (CALM)	Sun Power (SPWR)
Jabil (JBL)	Editas (EDIT)	Encana (ECA)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Zillow (ZG)	Acco Brands (ACCO)	Hertz (HTZ)
Caleres (CAL)	Olympic Steel (ZEUS)	Sprint (S)
Viavi (VIAV)	Stericycle (SRCL)	Hi Crush (HCR)
Dynavax (DVAX)	Cabot (COG)	Summit (SUM)
Dow (DOW)	SBA Comms (SBAC)	Nielsen (NLSN)
Redfin (RDFN)	Newell Brands (NWL)	Staar Surgical (STAA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Dova Pharma (DOVA)	Sprint (S)	IntraCellular (ITCI)
Garmin (GRMN)	Autodesk (ADSK)	Zynerba (ZYNE)
Yandex (YNDX)	Freeport (FCX)	Beyond Meat (BYND)
Newmont (NEM)	JD.com (JD)	Athenex (ATNX)
Deere (De)	Intel (INTC)	
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Snap (SNAP)	GE	Petmed (PETS)
Apple (AAPL)	Micron (MU)	Plantronics (PLT)
Nio (NIO)	Beyond Meat (BYND)	Sprouts (SFM)
Citigroup (C)	Oracle (ORCL)	Sun Power (SPWR)
Microsoft (MSFT)	Kraft (KHC)	Jabil (JBL)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Renewable Energy (REGI)	Wix (WIX)	IWM, 10,000 July \$158/\$164 call spreads
Uber (UBER)	Paypal (PYPL)	PLNT, 2,500 August \$80/\$85 call spreads
TI (TXN)	Sprouts (SFM)	HSY, 1000 August \$135/\$145 call spreads
Metals (XME)	Discovery (DISCA)	ENDP, 7,225 October \$6/\$8 call spreads
Alcoa (AA)	Western Union (WU)	ROP, 300 August \$350/\$330 put spreads

Stock Specific News

Trump administration aims to overturn climate rules for power plants – WSJ

Canada to move ahead with pipeline to the west coast (**TRP, KMP, ENB**). WSJ

Samsung aims to introduce Galaxy Note 10 on August 7. CNET

Harley-Davidson (HOG) aims to partner with small manufacturer in China. WSJ

Ecmoho aiming for \$100M IPO – Bloomberg

Axalta (AXTA) initiating review of strategic alternatives

Southwest (LUV) trims Q2 fuel, capacity forecasts on 737 MAX grounding; raises RASM outlook

Red Robin (RRGB) shareholder Vintage calls for special meeting to remove five board members

WeWork's (WE) lease liabilities could be an issue amid IPO plans – WSJ

Extras

FactSet (FDS) to report 6/25 and 2350 July \$280 puts sold to open for \$3.40 late today

Spotify (SPOT) late rolls of 2375 August \$155 calls to the \$160 strike

T-Mobile (TMUS) with 6500 July \$80/\$87.5 call spreads opening in the afternoon

Skechers (SKX) late day buy of 1,300 July \$31 puts for \$1.62

Diamondback Energy (FANG) with 1,300 September \$120 calls opening \$2.45 offer

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ADBE	Adobe Systems	\$1.83	\$1.78	\$2,744.00	\$2,704.93	25.00%	Affirms FY
JBL	Jabil	\$0.57	\$0.57	\$6,135.60	\$6,006.19	12.90%	
LZB	La-Z-Boy	\$0.64	\$0.64	\$453.79	\$457.13	8.00%	
WGO	Winnebago	\$1.04	\$1.03	\$528.9	\$560.77	-5.9%	

ADBE – Beat on EPS and Revenues - "Adobe's continued momentum is being fueled by the explosion of creativity across the globe and the widespread business transformation agenda to deliver engaging customer experiences," said Shantanu Narayen, president and CEO, Adobe. "With an innovative technology platform, exciting product roadmap and strong ecosystem of partners, we are well positioned for the second half of FY19 and beyond." "Adobe delivered another record quarter in Q2," said John

Murphy, executive vice president and CFO, Adobe. "Highlights include 25 percent year-over-year revenue growth, strong net new Digital Media ARR and operating cash flow of \$1.11 billion."

Option Radar

CF Industries (CF) with buyers of more than 5,000 November \$45 calls yesterday from \$4.20 up to \$4.60 as IV rose throughout the day. Yesterday's action was over 8X average and by far the most notable position in OI. Shares have jumped recently up 22% from the 5/31 lows and clearing a well-defined six-month range above \$45. Shares have a measured target up above \$50, although short-term extended and re-test of the \$45 area would be ideal. On the weekly look, CF is in a strong trend higher since 2017 and the recent range simply pulled back to the 50% Fibonacci and consolidated. MACD is curling higher from zero and RSI out of a range on the weekly. The 2018 highs around \$55 would yield a move back to \$67.50 from 2015. The \$10.55B company trades 17.9X earnings, 2.36X sales, and 13X FCF with a 2.5% yield. CF sees EPS growth of 39.7% and 23.3% through 2021 while revenue growth is expected around 5.2% next year. CF has strong FCF which has given them a lot of flexibility to pay down debt and explore further shareholder returns. The company continues to expect nitrogen demand to grow in North America this year with more corn acreage planted and Q1 shipments were tracking above estimates. They also see stronger demand for Spring product helping offset some Fall weakness. In terms of plantings, the company thinks "it is not too late for farmers to catch up on applications and plantings giving the technology they use. If farmers switch to other end products, we have all three ready in position." Analysts have an average target for shares of \$50 with 7 buy ratings, 5 hold ratings, and 1 sell. Citi putting on negative catalyst watch on 5/31 citing a slower-than-expected planting season. They keep a Buy rating and \$48 PT. BAML cut to Underperform in April with a \$38 PT. Byrne notes that the European Commission's recently announced anti-dumping duties on UAN imports from the U.S., Russia, and Trinidad and Tobago could meaningfully cause shipments to reroute from Europe. Short interest is 1.7% and near the 2015 lows. It was as high as 17% in early 2017. On 6/14, Bloomberg reported that peers Adnoc and OCI are in talks to combine their Middle East assets. In 2016, CF tried to acquire OCI's nitrogen assets unsuccessfully.

Small-Cap Focus

Surmodics (SRDX) is an interesting small-cap name which is basing around 1-year lows after trading up as high as \$80 in mid-2018. Shares are back at the 61.8% Fibonacci of the run higher from 2017 and showing positive RSI divergence on the daily since April. SRDX had a buyer of 2,875 August \$45 calls for \$4.30 yesterday as some June calls adjusted, by far the largest position in OI. The \$558.8M company trades 135X earnings, 6.2X sales, and 12X cash with 75% EPS growth in 2020 and 40.3% in 2021. The company expects revenue growth of 20% in 2020. Surmodics is a leader in surface modification, drug delivery and in vitro diagnostic tech for immunoassay and micro array testing. They produce products like Serene coatings for heart devices as well as systems like balloon-catheters and other specialty delivery systems. The company has a deep pipeline of products with a number of new product launches expected through 2024. They are targeting cardiovascular areas with high patient pools where they can improve quality of life including Superficial Femoral Artery (500K procedures / year). SRDX also has

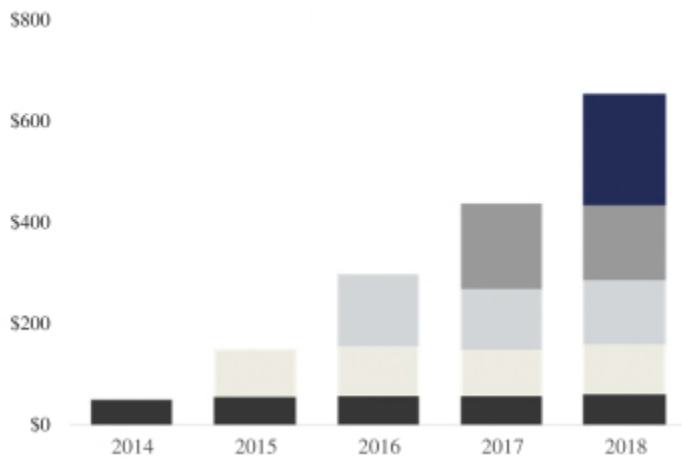
product development in Below-the-Knee disease (3.5M patients by 2020 where 33% need amputation) and End-Stage Renal Disease (5M patients).

One of their key products in development is a drug-coated balloon for peripheral artery disease (PAD). The TRANSCEND trial is evaluating using SRDX's treatment vs Medtronic's (MDT) INPACT Admiral balloon and the company expects obtaining CE mark by December. However, in March of 2019 the FDA warned about the use of paclitaxel-coated balloons and paclitaxel-eluting stents in patients. The FDA is looking at how use of these products impacts long-term mortality rates after a preliminary analysis of three trials identified a concerning level of mortality. SRDX has since taken actions to heed the FDA's warning as they complete enrollment for the trial. The FDA is convening an Advisory Committee meeting on the topic which runs June 19 and 20. Analysts have an average target for shares of \$68 with limited coverage, 3 buy ratings. Lake Street has a \$75 PT for shares, down from \$90 in early May. They think the company continues to "execute beautifully" but its ensnared in the paclitaxel controversy right now which has impacted FY guidance by \$5.0M-\$5.5M as a result of uncertainty related to timing of the ongoing trial for SurVeil. This also removes a milestone payment from partner, Abbott. Surmodics' "core" business is worth more than the value investors are putting on it at the current stock price. Hedge Fund ownership fell 5.7% last quarter. Laurion Capital a small buyer. Short interest is 4.5% and up from around 1% in early 2018.

IPO Focus

The Real Real (REAL) is set to debut next week issuing 15M shares at \$17-\$19. The company is targeting a \$1.5B valuation. REAL is an online marketplace which focuses on consigned luxury goods like jewelry, handbags, watches, fine art, home décor and other high-end items. It has been compared by some to eBay but for the luxury market as they don't own any of the inventory it sells but rather provides the platform for transactions to occur. However, unlike eBay, REAL has consigners send their items in to be inspected and appraised before being put up for sale. The company notes that this helps set them apart from other sites as it gives authenticity to their process as well as cuts out counterfeiters. Buyers are more likely to spend – especially high amounts of money – if they trust in the product being real. If the seller agrees with the appraisal they can then choose to put the item online or in one of its three physical locations. The most obvious competition for REAL is AMZN and EBAY with the latter having launched an Authenticate service in 2017. However, neither has the reputation nor the infrastructure for handling the luxury goods market. Both have faced notable counterfeit suits or other scam ventures in the last year. REAL takes a commission on each sale using a sliding scale based on volume and sale price. The company grew sales by 54.9% in 2018 to \$207.4M. They did \$710.8 in GMV last year. REAL has had 9.4M cumulative item sales with 2.6M items added to the market in 2018. They are yet another money-losing unicorn with net losses in 2018 of \$75.7M but growing the user base quickly. REAL had 416K active users at the end of 2018, up from 291K in 2017, and up to 456K so far through Q1 2019. And 82% of GMV was from repeat buyers. Margins are around 66%.

Annual GMV by Buyer Cohort
(S in millions)



Repeat Buyers
(% of GMV)

