

TOP STORIES

- Trump Warned Tehran a US Attack was Imminent, Calls for Talks
- Gasoline Jumps After Explosion, Fire at Philadelphia Refinery
- Eurozone Manufacturing PMI Misses Estimates in June

INDEX FUTURES

| Futures | Change | Fair Value |
|--------------------|----------------------|---------------|
| S&P 500 | 2956.5 (-3.5) | -2.43 |
| Nasdaq | 7747.75 (-25) | -19.31 |
| Dow | 26754 (-20) | -11.17 |

GLOBAL INDICES

| INDEX | CLOSE | CHANGE |
|------------------|-----------------|---------------|
| FTSE | 7428.63 | 0.06% |
| DAX | 12333.8 | -0.17% |
| Nikkei | 21258.64 | -0.95% |
| Hang Seng | 28473.71 | -0.27% |

ECONOMIC CALENDAR

| TIME | INDICATOR | CONSENSUS |
|-------|-----------------------|-----------|
| 9:45 | PMI Composite Flash | 50.9 |
| 10:00 | Existing Home Sales | 5.28M |
| 10:00 | Lael Brainard Speaks | |
| 12:00 | Loretta Mester Speaks | |
| 12:30 | Mary Daly Speaks | |

FOREX

| | |
|----------------|------------------------|
| EUR/USD | 1.13 (0.08%) |
| USD/JPY | 107.54 (0.23%) |
| USD/CAD | 1.3189 (-0.01%) |
| GBP/USD | 1.2642 (-0.45%) |
| USD | 96.15 (0.01%) |

COMMODITY

| | |
|--------------------|------------------------|
| Oil | 57.87 (1.40%) |
| Natural Gas | 2.193 (0.37%) |
| Gold | 1398.4 (0.11%) |
| Copper | 2.7055 (-0.24%) |

VOLATILITY INDICES

| INDEX | SYMBOL | CLOSE |
|----------------|------------|-----------------------|
| S&P | VIX | 14.75 (2.93%) |
| Nasdaq | VXN | 18.71 (-0.48%) |
| Oil | OVX | 41.66 (2.14%) |
| Gold | GVZ | 15.69 (26.4%) |

MARKET OUTLOOK

Futures are indicating a lower open to close the week as the standoff between the US and Iran takes focus overnight. The White House has confirmed this morning that it called off military strikes on Iran overnight and the President is seeking talks. He has reportedly told Tehran that they have a small window to work out an agreement. Oil continues higher this morning, up 1.4%. Gasoline is rallying by 3.5% this morning after an explosion and fire at a refinery in Philadelphia this morning. The facility is the 10th largest in the US and largest complex on the Eastern seaboard. Gold has continued higher overnight trading up to \$1,415 overnight before fading a bit. The dollar is flat. The 10-year yield is higher to 2.03%.

Asian markets finished the week in the red with the Nikkei down nearly 1% but higher for the third straight week. Focus is now shifting to the G20 meeting in Japan. Japanese manufacturing PMI came in light for June at 49.5 vs 50 expected. This is down from 49.8 in May. Hong Kong CPI fell slightly to 2.8%. Energy companies are higher with oil rallying. **Impex** is up 4.4% while **Japan Petroleum** up 3.7%. Financial were weak.

European markets are mixed in early trading today with the DAX slightly lower. Eurozone manufacturing PMI fell to 47.8 in June, missing estimates of 48 and up slightly from 47.7 in May. Services PMI rose to 53.4 vs 53 forecast. Composite PMI was 52.1, better than the forecast of 51.8. German manufacturing PMI rose to 45.4 vs 44.6 estimates. British wafer maker **IQE** fell after warning on the FY outlook due to the Huawei ban. Infineon, AMS, ST Micro all lower.

SeaWorld (SEAS) in focus today with shares upgraded to Buy at Goldman Sachs today with a \$39 PT. The firm thinks SeaWorld's announced cost cuts will support its earnings near-term while a "budding capital allocation story" will further enhance shareholder value.

S&P TECHNICALS

Levels: Support 2,800/2,750; Resistance 2,925/2,950



| | |
|-------------------|----------------|
| 5111 Advancing | Declining 2146 |
| 67.2% | 28.2% |
| 861 New High | New Low 125 |
| 87.3% | 12.7% |
| 4356 Above SMA50 | Below 3227 |
| 57.4% | 42.6% |
| 4327 Above SMA200 | Below 3256 |
| 57.1% | 42.9% |

KEY EVENTS TO WATCH**Monday:** Chicago Fed at 8:30 AM, Dallas Fed at 10:30**International Data:** German IFO Survey, BOJ Minutes**Analyst Days:** NEWT**Tuesday...** Case-Schiller at 9:00 AM, New Home Sales at 10:00, Consumer Confidence at 10:00, Richmond Fed at 10:00, James Bullard Speaks at 6:30. **Earnings BMO** include BNET, FDS, LEN**ANALYST ACTION/COMMENTS****Crocs (CROX)** upgraded to Outperform at Baird**Catalent (CTLT)** upgraded to Buy at Jefferies**IQVIA (IQV)** upgraded to Buy at Mizuho**KeyCorp (KEY)** upgraded to Outperform at Baird**Laboratory Corp (LH)** upgraded to Buy at Deutsche Bank**SeaWorld (SEAS)** upgraded to Buy at Goldman**Philips (PSX)** upgraded to Buy at Citi**Barnes & Noble (BKS)** downgraded to Hold at Gabelli**Carnival (CCL)** downgraded to Equal Weight at Barclays**Intl Flavors (IFF)** cut to Underperform at BNP Paribas**Caterpillar (CAT)** downgraded to Underweight at Atlantic**AnaptysBio (ANAB)** downgraded to Neutral at CSFB**Red Hat (RHT)** cut to Mkt Perform at William Blair**Intersect ENT (XENT)** downgraded to Hold at Berenberg**Axovant (AXGT)** initiated with an Outperform at Leerink**Corteva (CTVA)** initiated with an Overweight at JPM**Fidus Investment (FDUS)** initiated with a Buy at B Riley**HP Enterprise (HPE)** initiated with a Neutral at Longbow**Lovesac (LOVE)** initiated with a Buy at Stifel**Perficient (PRFT)** initiated with a Buy at Nomura**Stanley Works (SWK)** initiated with an Underperform
BAML, \$140 PT**Micron (MU)** PT lowered to \$140 at JP Morgan**MEDIA HIGHLIGHTS****Chevron (CVX), Phillips (PSX)** venture offered over \$15B for Nova Chemicals - Reuters**UnitedHealth (UNH)** said to acquire healthcare payments company Equian for \$3.2B - WSJFTC objects to **Qualcomm (QCOM)** push for evidence that may alter antitrust ruling – Reuters**McDonald's (MCD)** tests voice-activated drive-throughs, robotic fryers - WSJ**Delta Airlines (DAL)** buys stake in Korean Air Lines parent company - Reuters**Google (GOOGL)** Maps overrun with millions of false business listings - WSJ**Deutsche Bank (DB)** execs expect more restrictions from US regulators. Reuters**Exxon (XOM)** \$53B Iraq deal on hold amid contract issues and Iran tensions. ReutersA fire has broken out at a **Sunoco (SUN)** refinery in Philadelphia – WTKR**Intel (INTC)** to slash desktop processor prices – Digitimes

Steelmakers Are Next in the Crosshairs as Climate Pressure Grows – Bloomberg

Dish Network (DISH) could be months away from finalizing **T-Mobile (TMUS)** deal - NY Post**Huawei** says shipped 100M smartphones this year as of end-May – Reuters**China National** studies bid for **Iamgold (IAG)** - Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Hologic (HOLX)** enters exclusive negotiations to acquire SuperSonic Imagine for \$85M**CommScope's (COMM)** distributed antenna system patents upheld in favorable ruling**Quad/Graphics (QUAD)** intends to defend proposed LSC Communications acquisition**Exelixis (EXEL)** informed by Genentech that IMspire170 did not meet primary endpoint**Regeneron (REGN), Sanofi (SNY):** REGN3500 Phase 2 proof-of-concept trial met primary endpoint**Nuance (NUAN)** accelerates exit of non-core subscriber revenue services business

PRE-MARKET MOVERS

Moving Higher: CTRV 48%, GFI 1.7%, BP 1.5%

Moving Lower: CGC -4.7%, BYND -4%, CCL -3.9%, MU -2%, ING -1.1%

INSIDER TRADING (Form 4 Filings)

Buying: AHH, MCRB, ATNX, SGMS, IMMR

Selling: AEL, OLED, MIME, BWXT, VRTX, CPB, HPQ, HSC, SKY, ADI, CSOD, TCMD, ADBE

POTENTIAL SYMPATHY TRADES

ACB, CRON, APHA, TLRX – on CGC earnings

OPTION HIGHLIGHTS (Prior Day)

Outfront Media (OUT) with a buyer of 4,000 September \$25 calls today for \$2.10 to open and follows buyers of more than 4,350 July \$25 calls earlier this week, some in straddles with the puts although heavily skewed delta positive. Shares are hitting their highest levels since April 2017 this week with new highs just above at \$28. OUT formed a small bull flag under \$26 recently forming a double-bottom at the rising 34-MA. Shares have been in a strong trend since January without testing the 55-day MA down near \$24.65 once since 1-8. The \$3.8B company trades 19.88X earnings, 2.32X sales, and 3.5X book with a 5.5% yield and guiding to double-digit EPS growth next year. OUT expects 3.6% and 3.8% revenue growth through 2021. They are seeing strength in billboards, both static and digital, while transit was “exceptional” with MTA deployments up to 2,000. They are also seeing strong local growth. OUT has key drivers going forward from digital transition which is only around 20% of revenues currently. Analysts have an average target for shares of \$27 with 5 buy ratings and 3 hold ratings. Imperial upgrading to Outperform on 6/6 with a \$29 PT. The firm cites higher estimates for 2020 due to a "more robust" outlook for Outfront's transit business, particularly digital signage in New York City. Short interest is 1.3% and near multi-year lows. Hedge Fund ownership rose 8.19% last quarter. Highbridge Capital a top buyer of 566k shares.

AFTER HOURS MOVERS

Gainers: CTRV 28%

Losers: KFY -6.7%, CRWD -2%

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> |
|------------------------------|-------------------------------|--|
| RPM Int'l (RPM) | Accuray (ARAY) | Verastem (VSTM) |
| Servicemaster (SERV) | Melinta (MLNT) | Denbury (DNR) |
| Red Hat (RHT) | Dana (DAN) | PG&E (PCG) |
| Broadcom (AVGO) | Red Hat (RHT) | Iamgold (IAG) |
| IQVIA (IQV) | Carrizo (CRZO) | Hertz (HTZ) |
| TE Connectivity (TEL) | Steelcase (SCS) | Zuora (ZUO) |
| <u>Lowest Put/Call Ratio</u> | <u>Highest Put/Call Ratio</u> | <u>Implied Volatility Decliner</u> |
| Knowles (KN) | Waddell & Reed (WDR) | Melinta (MLNT) |
| Superior Energy (SPN) | NRG Energy (NRG) | Kroger (KR) |
| Matador (MTDR) | Univar (UNVR) | Steelcase (SCS) |
| Outfront (OUT) | Carrizo (CRZO) | Oracle (ORCL) |
| TE Connectivity (TEL) | Quad Graphics (QUAD) | Darden (DRI) |
| Prologis (PLD) | Stifel (SF) | Intrexon (XON) |
| <u>OTM Calls on Offer</u> | <u>OTM Puts on Offer</u> | <u>Elevated IV30</u> |
| SeaWorld (SEAS) | Caesars (CZR) | Intra-Cellular (ITCI) |
| Take-Two (TTWO) | Oasis (OAS) | Deciphera (DCPH) |
| Ebay (EBAY) | Hess Corp (HES) | Zynerba (ZYNE) |
| American Air (AAL) | Altaba (AABA) | Beyond Meat (BYND) |
| Intra-Cellular (ITCI) | GE | Revolve (RVLV) |
| <u>Positive Net Delta</u> | <u>Negative Net Delta</u> | <u>Option Volume Gainers (%)</u> |
| Bank of America (BAC) | Broadcom (AVGO) | Accuray (ARAY) |
| Accuray (ARAY) | Carrizo (CRZO) | Melinta (MLNT) |
| Apple (AAPL) | Intel (INTC) | Dana (DAN) |
| GE | Blackberry (BB) | IQVIA (IQV) |
| Snap (SNAP) | Tesla (TSLA) | TE Connectivity (TEL) |
| <u>Bullish Call Flow</u> | <u>Bearish Put Flow</u> | <u>Large Spread Trades</u> |
| Matador (MTDR) | Xilinx (XLNX) | IWM, 75,000 July \$162/\$166 call spreads |
| Clean Harbors (CLH) | Zoom (ZM) | GLD, 10,000 December \$140/\$156 call spreads |
| Tiffany (TIF) | Occidental (OXY) | CMCSA< September \$45/\$37.5 ratio put spreads 4000X8000 |
| MasterCard (MA) | Oasis (OAS) | AXTA, 1,500 July / October \$31 call calendar spreads |
| Ebay (EBAY) | Oracle (ORCL) | TXN, 1,200 July 5th (W) \$114/\$119 call spreads |

Extras

Ralph Lauren (RL) late day buyers of 2,000 July 5th (W) \$114 puts for \$2.10 to \$2.30, retail expected to be the biggest loser from the next round of tariffs

Alcoa (AA) with another 5000 October \$24 calls bought \$1.80 to \$1.85

Advanced Micro (AMD) buyer 3000 August \$32 calls near \$2.45

Boot Barn (BOOT) with 2000 July \$35 calls opening \$1.25/\$1.30

PG&E (PCG) rallied late day with buyers of 3000 December \$23/\$36 call spreads to open

Earnings

| Ticker | Company | EPS Actual | EPS Estimate | Revs Actual | Revs Estimate | Growth | Notes |
|--------|---------------|------------|--------------|-------------|---------------|---------|----------|
| CGC | Canopy Growth | -\$0.98 | -\$0.32 | \$94.10 | \$93.69 | 312.70% | |
| KFY | Korn/Ferry | \$0.88 | \$0.88 | \$490.76 | \$496.76 | 3.20% | Q1 Below |
| RHT | Red Hat | \$1.00 | \$0.86 | \$934.10 | \$931.58 | 14.80% | |
| KMX | CarMax | | \$1.49 | | \$5,173.30 | | |

RHT (being acquired by IBM) – Beats on EPS and Revenues - Our large deal momentum remained strong, as we doubled the number of deals over \$5M and saw 15% growth in the number of deals over \$1M from the year-ago quarter. Many of these deals contained emerging technologies, including an OpenStack deal for over \$5M and our largest ever storage and hyperconverged deal for over \$15M. The breadth of our success demonstrates that customers can realize significant value across our product portfolio.

Option Radar

JD.com (JD) buyers active yesterday for 2,000 January \$32 calls at \$2.50 and 2,000 of the June 2020 \$32 calls at \$3.75. And later, JD seeing 9,000 of next week's \$30 calls open near \$0.61. JD has seen buyers this week in the July \$28 calls over 10,000X and the July \$24 calls while the December \$28 short puts also active. The September \$27 calls have over 45,000 in open interest from buyers in early June. Shares pulled back to the 50% Fibonacci retracement of the recent run and above \$31.50 have room up to \$38. Longer-term, JD continues to work off of recent lows and traded as high as \$50 in 2018. The \$43.11B company trades 28X earnings, 0.62X sales, and 10.66X FCF with 42.5% and 44% EPS growth as they move past a big investment period in their tech and logistics. They see sales growth of 16.7% and 14.4% in the next two years while margins continue to improve. The company is coming off a strong quarter with revenue up 44% and active accounts hitting 310.5M, up 15%. The company also started a partnership with Tencent. JD continues to gain share in a highly-fragmented retail market in China with just 18% online penetration. Analysts have an average target for shares of \$31 with 11 buy ratings and 8

hold. Loop Capital starting at Buy on 6-4 with a \$40 PT. The firm thinks while U.S.-China trade war concerns have overshadowed some improvement in China's consumer sentiment, JD.com stands to benefit from its scale advantages. Also, at its present valuation, JD.com's market cap mostly reflects only its equity stakes in affiliates. CLSA upgrading to Outperform in March citing margin growth in 2019 and potential for further top-line growth. Short interest is 4% and down from 4.6% in May. Hedge Fund ownership rose 18.8% last quarter. Tiger Global with 57.8M shares, their largest position at 9.77% of the book, while Fisher Asset, Viking Global, Scopia Capital, and Jericho all concentrated holders. Wal-Mart also has a large stake in the company.