

**TOP STORIES**

- Lighthizer, Mnuchin to Discuss Trade with China's Liu He Before G20
- Trump has Discussed Withdrawing from Defense Treaty with Japan
- BOJ Minutes Show Global Uncertainty Led to Lowered FY Guidance
- AbbVie to Acquire Allergan in a \$63B Deal

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2948.75 (-3.75)</b>	<b>-1.20</b>
<b>Nasdaq</b>	<b>7743 (-15.75)</b>	<b>-8.02</b>
<b>Dow</b>	<b>26741 (-21)</b>	<b>5.46</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7379.7</b>	<b>-0.26%</b>
<b>DAX</b>	<b>12268.69</b>	<b>-0.05%</b>
<b>Nikkei</b>	<b>21193.81</b>	<b>-0.43%</b>
<b>Hang Seng</b>	<b>28185.98</b>	<b>-1.15%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
9:00	Case-Schiller	0.2%
9:00	FHFA Housing	0.2%
10:00	New Home Sales	680K
10:00	Consumer Confidence	132.0
10:00	Richmond Fed	4
1:00	Jerome Powell Speaks	

**FOREX**

<b>EUR/USD</b>	<b>1.1378 (-0.16%)</b>
<b>USD/JPY</b>	<b>107.04 (-0.22%)</b>
<b>USD/CAD</b>	<b>1.3175 (-0.02%)</b>
<b>GBP/USD</b>	<b>1.2731 (-0.06%)</b>
<b>USD</b>	<b>95.57 (0.09%)</b>

**COMMODITY**

<b>Oil</b>	<b>57.64 (-0.45%)</b>
<b>Natural Gas</b>	<b>2.291 (-0.52%)</b>
<b>Gold</b>	<b>1432.6 (1.02%)</b>
<b>Copper</b>	<b>2.7305 (0.92%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>15.26 (-0.91%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>19.46 (1.46%)</b>
<b>Oil</b>	<b>OVX</b>	<b>41.0 (-2.68%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>16.8 (8.11%)</b>

**MARKET OUTLOOK**

Futures are indicating a lower open for the morning, although quiet session overnight. The President announced sanctions on Iran for the downing of a US drone. The move comes after their near-military action over the weekend as tensions continue to grow in the region. Oil has been mixed on the news. Looking at trade, US officials are downplaying expectations for the Trump/Xi meeting this weekend at the G20. Both Lighthizer and Mnuchin will hold a call before the Summit with Liu He. The best case scenario from the weekend is likely a truce in word only while both sides are likely to continue to push forward the same sticking points. Jerome Powell will speak later today in New York. The Q&A could see a focus on Trump's latest comments about removing Powell.

Asian markets were weak overnight with the Hang Seng down over 1%. The Nikkei fell modestly with a stronger yen weighing. Japanese CSPI fell in the latest reading to 0.8% vs 1.1% forecast. Core CPI was up to 0.7% vs 0.6%. The latest BOJ minutes showed the committee debating the cost of easing. They also found that global uncertainty weighed on forward guidance. Defense names jumped after reports that POTUS has discussed pulling out of a defense treaty with Japan. **Ishikawa Seisakusho** rose 8.5% while **Hosoya Pyro** rose 6.5%. **Japan Communications** rose 6.5% after it announced it would start selling CBRS in the US.

Europe is quiet this morning with most markets slightly in the red. The DAX opened weak but has rebounded off the early lows. It was a quiet morning for EU data with French business optimism lower in June and Spanish PPI at 1.1%. A big merger for two of Europe's business consultant companies this morning. **Capgemini** shares rose 7% after agreeing to buy **Altran** whose shares rose 21%. In more deals news, **SMCP** agreed to buy men's luxury fashion company **De Fursac**. Financials were a weak spot.

**S&P TECHNICALS**

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



2571 Advancing	Declining 4683
33.7%	61.4%
262 New High	New Low 151
63.4%	36.6%
3901 Above SMA50	Below 3700
51.3%	48.7%
4156 Above SMA200	Below 3445
54.7%	45.3%

**KEY EVENTS TO WATCH****Earnings After the Close:** AVAV, FDX, MU, SNX**Analyst Days:** MOR, CODI, CLXT**Conferences:** BMO Healthcare (RARX, EXEL, MNK, IRTC, ANTM, BHC, RTRX, SILK, NVRO, AKCA, LCI), Bernstein Media Summit (LGF, NXST, OUT, NLSN, WWE)**Tomorrow...** Durable Goods at 8:30 AM, International Trade at 8:30, Retail Inventories at 8:30, EIA Petroleum at 10:30.**Earnings BMO** from ATU, BB, GIS, INFO, PAYX, SCHN**ANALYST ACTION/COMMENTS****GrubHub (GRUB)** upgraded to Buy at Citigroup**Gates Industrial (GTES)** upgraded to Buy at Goldman**SiteOne (SITE)** upgraded to Outperform at Baird**Basic Energy (BAS)** downgraded to Neutral at Piper Jaffray**Brighthouse (BHF)** cut to Underperform at Credit Suisse**Delek US (DK)** downgraded to Sell at Goldman**FTS International (FTSI)** downgraded to Neutral at Piper**Kellogg (K)** downgraded to Underweight at Consumer Edge**Pivotal (PVTI)** downgraded to Underperform at BAML**Shopify (SHOP)** downgraded to Neutral at Wedbush**Tiffany & Co (TIF)** downgraded to Hold at Loop Capital**Chipotle Mexican Grill (CMG)** initiated with an Outperform at Credit Suisse; **Domino's Pizza (DPZ)** initiated with an Outperform at Credit Suisse; **McDonald's (MCD)** initiated with an Outperform at Credit Suisse; **Restaurant Brands Int'l (QSR)** initiated with an Outperform at Credit Suisse; **Starbucks (SBUX)** initiated with an Outperform at Credit Suisse; **Shake Shack (SHAK)** initiated with an Outperform at Credit Suisse**Papa John's (PZZA)** initiated with a Neutral at Credit Suisse; **Wendy's (WEN)** initiated with a Neutral at Credit Suisse; **Yum! Brands (YUM)** initiated with a Neutral at Credit Suisse**Dunkin (DNKN)** initiated with an Underperform at Credit Suisse; **Jack In The Box (JACK)** initiated with an Underperform at Credit Suisse**Host Hotels (HST)** initiated with an Overweight at CapitalOne**Park Hotels & Resorts (PK)** initiated with an Overweight at CapitalOne**Xenia (XHR)** initiated with an Overweight at KeyBanc**MEDIA HIGHLIGHTS****Occidental (OXY)** seeks buyer for majority control of Western Gas - Bloomberg**Walmart (WMT)** in Mexico rolls out grocery delivery via **Facebook's (FB)** WhatsApp – Reuters**Canopy Growth (CGC)** CEO says done buying other producers - Reuters**Nissan** overhauls board following investor meeting - WSJ**Intel (INTC)** plans to cut desktop processor prices by up to 15% - DigiTimes**JD.com's (JD)** logistics unit raises \$218M investment fund - Reuters**FedEx (FDX)** filed lawsuit against Commerce Department to stop **Huawei** ban enforcement. WSJChinese hackers have infiltrated cell networks of 10 carriers (**T, VZ, TMUS, S, CHL**). WSJSeveral nursing homes with HUD mortgages have not been inspected and have large deficiencies (**BKD, GEN**). NYT

Warren Buffett has denied tensions regarding his partnership with 3G Capital – CNBC

**BT Group** aiming for sale of its Spanish unit. Telegraph UK**Blue Racer** is considering a \$2.5B IPO - Bloomberg**Capgemini** Buys **Altran** for \$4.1 Billion to Expand in Tech – BloombergTycoon Richard Li's **FWD** in Talks to Buy **MetLife Hong Kong** – Bloomberg**STOCK SPECIFIC NEWS OF NOTE****Conatus (CNAT)** to explore strategic alternatives; results from ENCORE-LF clinical trial didn't meet primary endpoint**Installed Building (IBP)** acquires Expert Insulation**Park Hotels & Resorts (PH)** announces sale of three non-core assets for \$166M**MarketAxess (MKTX)** to replace L3 Technologies in S&P 500; **Axon (AAXN)** to replace MarketAxess in S&P 400; **Mesa Labs (MLAB)** to replace Axon in S&P 600**Amazon (AMZN)** announces Prime Day July 15 & 16**Amcor (AMCR)** enters into \$394M agreement for sale of three flexible packaging plants**AbbVie (ABBV)** to acquire **Allergan (AGN)** in cash, stock deal valued around \$63B

**PRE-MARKET MOVERS**

**Moving Higher:** AGN 29.7%, LEN 5%, TEVA 2.9%, PRGO 2.3%, ARQL 1.8%

**Moving Lower:** ABBV -8%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** SGMS, GIGM, NAVB, WAL, JILL, RUN, LOW

**Selling:** THRM, MORN, DE, IPHI, CVGW, TWTR, TFX, BLFS, CHGG, CRM, SNAP, TWLO

**POTENTIAL SYMPATHY TRADES**

**PRGO, TEVA, BHC, MYL, ENDP** – on AGN deal

**DHI, PHM, TOL, KBH** – on LEN earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Dominion Energy (D)** trading 4,500 August \$75 ITM calls this morning up to \$5.70 to open, sizable trade in the name ahead of a key legal catalyst expected this week. Dominion has seen buyers recently in the January \$70 calls and October \$72.50 calls as well. Shares are breaking out today above \$78 from a multi-month range which targets \$83 and continuation of a rebound from the 2018 lows. Shares traded as high as \$84 in late 2017 and MACD and RSI both moving off of oversold levels here following the recent pullback with plenty of room for upside. The \$62B utility trades 17.7X earnings and 2.3X book with a 4.68% yield and mid-single digit growth, down from 12.5% in 2019. They see 3.8% and 4.2% sales growth. Dominion has been weighed down recently by a legal battle over their Atlantic Coast natural gas pipeline. In December, the 4th Circuit canceled a permit that allowed the pipeline to cross the Appalachian Trail on National land and the company has appealed the decision. SCOTUS is expected to decide whether to hear the case or not sometime soon. Dominion is expected to cancel the project if SCOTUS doesn't choose to hear their appeal due to costs. They believe they can win an appeal given 56 other pipelines have crossed the trail. A win in court would allow the pipeline to resume construction in Q3 and complete in 2021. Analysts have an average target for shares of \$85.75 with 4 buy ratings and 10 hold ratings. Short interest is 1.3% and down sharply from April 2018 when it was 4.8% and in January when it was 3.8%. BAML upgrading to Neutral with an \$80 PT on 6-13 seeing ACP risks priced into shares and upside from O&M initiatives. Hedge Fund ownership rose 13% last quarter. Barrow Hanley with 19M shares and Zimmer Partners a buyer of 1.825M shares over the last couple quarters. Dominion insiders have been active buying stock with two different directors adding at \$76.33 in March (\$150k and \$500k) while others buying in late 2018.

**AFTER HOURS MOVERS**

**Gainers:** ALDX 14.9%

**Losers:** IMUX -5.6%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.65	Rising / Cautious
CBOE Index Put/Call Ratio	1.17	Turning Lower
CBOE Skew Index	118.46	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	52	Neutral
NYMO	30.83	Rising
NYSE New Highs	77.63	Rising
McClellan Summation	551.16	Above 8-EMA
Univ. of Michigan Consumer Sentiment	97.9 (June)	Strong

**SMART MONEY (13g/13d Filings)**

Lone Pine reports 6.1% stake in **Chewy (CHWY)**

**IPO MONITOR**

**The Real Real (REAL)** issuing 15M shares at \$17-\$19; Largest online marketplace for authenticated, consigned luxury goods

**Cambium (CMBM)** issuing 5.8M shares at \$13-\$15; Provider of wireless broadband networking infrastructure solutions

**Change Healthcare (CHNG)** issuing 42.9M shares at \$16-\$19; Developer of a healthcare technology platform that provides data & analytics to improve the healthcare system

Biotech issues from **ADPT, BBIO, KRTX, MORF, and PRMI**

# TRADE

## WEEKLY TECHNICAL BREAKOUT

**TTWO:**



**Take-Two (TTWO)** shares are working on a nice bull flag under \$113 after a strong run higher since mid-May. A breakout targets \$118. All of its short-term moving averages are sloping higher and 8-EMA sitting at Friday's low as support.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Nice (NICE)

**Price:** \$138

**Valuation:** Undervalued

**Key Ratios:**

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	24.2X	5.8X	4.2X	19.2X	23.5X
<b>Industry Avg.</b>	50.8X	8.8X	10.4X	51.6X	75.4X

**Analysis:** The \$8.63B company trades cheap at 24.2X earnings and 5.8X sales with mid-teens growth and peer-best margins. NICE is coming off a strong quarter and raising their FY outlook with cloud revenue and operating margins expanding significantly. The launch of their new digital interactions feature after the acquisition of BrandEmbassy is helping drive large deal growth while their Analytics business continues to thrive.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

**NEWR:**



**New Relic (NEWR)** shares are forming a bear flag above the 200-day MA and \$94.50 support with a breakdown targeting \$85. Shares have a big volume node below from November/December at \$80 as well. NEWR is forming a series of lower highs.

## PAIR TRADE OF THE WEEK

**Industry:** Waste

**Long/Short:** Long Waste Connections (WCN), Short Stericycle (SRCL)

**Analysis:** WCN trades cheap relative to its steady growth and FCF growth of 7-8%. They've got a number of long-term contracts locked in which provides strong visibility to EPS as well while a recovery in E&P supports above-peer growth. SRCL has posted consistently weak numbers recently and new management sees a long road to recovery for the name with their Transformation plan.

## SMALL CAP TRADE OF THE WEEK

**NV5 Global (NVEE)** is a \$991M company which focuses on engineering and consulting services in infrastructure, energy, construction, and real estate. Shares trade at 17.3X earnings and 2.25X sales with mid-20% EPS growth. The company is executing better on costs while adding a number of smaller accretive acquisitions which are expanding their geographic reach.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Karyopharm (KPTI)	Casa Systems (CASA)	Rave Restaurant (RAVE)
Conduent (CNDT)	Axalta (AXTA)	Uniqure (QURE)
Axalta (AXTA)	Sally Beauty (SBH)	Karyopharm (KPTI)
Eldorado (ERI)	Franks (FI)	AVEO Pharma (AVEO)
Mallinkrodt (MNK)	Coupa Software (COUP)	Sally Beauty (SBH)
Owens Corning (OC)	Ryder (R)	Meet Group (MEET)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Valvoline (VVV)	Newpark (NR)	Del Friscos (DFRG)
Viewray (VRAY)	Casa Systems (CASA)	AMAG Pharma (AMAG)
Hilton Grand (HGV)	Daktronics (DAKT)	Intra-Cellular (ITCI)
Laureate (LAUR)	Motorola (MSI)	Caesars (CZR)
Gerdau (GGB)	Ryder (R)	Moneygram (MGI)
Karyopharm (KPTI)	Fox (FOXA)	Biocryst (BCRX)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Mallinkrodt (MNK)	Axalta (AXTA)	Intra-Cellular (ITCI)
Abercrombie (ANF)	Coupa (COUP)	Zynerba (ZYNE)
Karyopharm (KPTI)	Gamestop (GME)	Glycomimetics (GLYC)
Blackberry (BB)	Snap (SNAP)	Beyond Meat (BYND)
Nio (NIO)	Western Digital (WDC)	Revolve (RVLV)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Caesars (CZR)	Apple (AAPL)	Casa Systems (CASA)
Mallinkrodt (MNK)	Gold (GLD)	Axalta (AXTA)
Snap (SNAP)	Canopy Growth (CGC)	Sally Beauty (SBH)
Facebook (FB)	AT&T (T)	Mallinkrodt (MNK)
Bank of America (BAC)	Salesforce (CRM)	Owens Corning (OC)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Las Vegas Sands (LVS)	BorgWarner (BWA)	DIA < 5000 July 26th (W) \$270/\$275 call spreads
Laureate (LAUR)	Oracle (ORCL)	TSCO, July \$109/\$112 call ratio spreads opening 1,750X3,500X
Dominion (D)	Nokia (NOK)	HFC, 2500 January \$50/\$45 strangles bought
CBOE	Ryder (R)	AMGN, 500 August \$185/\$165 put spreads
Bristol Myers (BMY)	Western Digital (WDC)	BABA, July \$177.50/\$200 call spread trading 2,000X

### Stock Specific News

**Deutsche Telekom** wins SK Telecom backing for venture arm; 5G JV agreed – Reuters

Russia's **Yandex (YNDX) Taxi** likely to issue new shares in IPO – Reuters

China's **iQiyi (IQ)** looks abroad after hitting 100 mln paying subscribers – Reuters

**Linde (LIN)** plans \$1.4 bln Singapore expansion, signs Exxon supply deal – Reuters

**Facebook's (FB)** Pricey Ad Spend May Not Impress – WSJ

Olympic Games Are Getting More Competitive for Advertisers (**CMCSA**) – WSJ

**Visa (V)** to acquire **Rambus (RMBS)** payments portfolio

**Aldeyra (ALDX)** says statistical significance not achieved for endpoints in SOLACE Trial

**FactSet (FDS)** increases share repurchase program by \$210M

### Extras

**Portola (PTLA)** with 2000 August \$22.50 puts sold to open for \$0.75 late day into weakness

**SLM Corp (SLM)** with 3000 January \$8 puts sold to open for \$0.33

**Vonage (VG)** late day buyer 10,000 August \$11 puts \$0.55 to \$0.60

**Spirit Realty (SRC)** a strong REIT trend with a late trade buying 2000 October \$47/\$50 call spreads and selling the \$42 puts for a net credit

**Royal Gold (RGLD)** with 1,550 January \$120 calls opening \$2.55

**Verint Systems (VRNT)** with 1,000 December \$60/\$45 bull risk reversals opening as September adjusted

**Realogy (RLGY)** late day buys of 1000 September \$7.50 puts up to \$1.50

**Sage Therapeutics (SAGE)** with 275 November \$175 puts sold to open down to \$18.70

**Blackline (BL)** opening buyer 350 November \$60 puts for \$9 to \$9.30

**Incyte (INCY)** with late day buys 500 January \$92.50 puts for \$12.30 to open ITM

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
BNED	BN Education		\$0.00		\$340.58		
FDS	FactSet	\$2.62	\$2.37	\$364.50	\$359.25	7.20%	Raises FY
LEN	Lennar	\$1.30	\$1.14	\$5,562.90	\$5,134.14	1.90%	

## Option Radar

**NICE (NICE)** trading 19X average calls today with over 1,000 August \$140 calls bought on the day from \$5.10 to \$5.90, unusual activity in the strong name. NICE is also seeing 150 November \$150 calls bought for \$4.10 and has some November deep ITM \$130 calls still in OI from risk reversals. NICE has also seen 2,000 OTM August \$120 puts bought recently 2,500X against sales of the \$145 calls 1200X and likely collaring stock. Shares have traded well in 2019 up from around \$107.50 and basing in a narrow range recently above its 50-day MA and into cloud support. Shares traded up to \$145 post-earnings and above that range has a measured target out to \$155. The \$8.7B company trades 24.5X earnings and 5.8X sales with high-single digit EPS growth. NICE sees 8.3% and 6% revenue growth. The company is coming off a strong quarter with double-digit growth in cloud and significant expansion in operating margins. NICE has built a strong base with over 25k customers and 85% of Fortune 100 companies. They are a leader in CCaaS with a fast and growing TAM as they expand into cloud, digital, analytics, and Automation/AI. Analysts have an average target for shares of \$146 with 5 buy ratings and 5 hold. DA Davidson raising their PT to \$140 in May citing the company's launch of digital interactions capabilities for the CXone platform following its acquisition of BrandEmbassy and also cites its large deal success in the quarter, with "multiple 7-digit and 8-digit deals" coming from its CXone, Analytics, and Actimize Essentials products. JMP has a \$164 for shares. They are positive the company's acquisition strategy which is driving improved customer experiences and extending its reach. Jefferies with a \$166 PT. They think the company's 12% revenue acceleration was beyond expectations and sees it "well positioned" in the Contact Center as a service market. Short interest is 1.99%. Hedge Fund ownership rose 6.4%. RGM Capital a top holder with a 5.9% weighted stake.

## Insider Focus

**MGM Resorts (MGM)** shares setting up for a strong weekly breakout above \$28.50 and into a low-volume gap back to \$30.75 with some sizable insider buying into the recent range. On 5-10, director Paul Salem bought 800,000 shares at \$25.40, a more than \$20.3M buy, and Keith Meister's activist fund Corvex has been bought stock on four different occasions since 6-5 with over \$112M acquired on the open market between \$26.18 and \$27.84. Salem joined the board in April 2018 and one of three independent directors appointed since 2017. He sits on the company's newly formed committee which is evaluating its real estate portfolio. Shares have been mixed recently up 15% for the year but down almost 8% over the last 12 months. There's a significant high-volume node up at \$35 from early 2018. The \$15.17B company trades 17.29X earnings, 1.25X sales, and 12.4X cash with a 1.86% yield. MGM expects mid-single digit EPS growth and 3-4% revenue growth through 2021. MGM is coming off a quarter with better market share gains in Macau and new expansions opened at their Cotai property. Their Springfield property continues to ramp and despite a seasonally slow period earlier this year, they believe it is still on pace for a strong year. Other drivers this year include expansion of sports gaming and a potential Japan license where MGM has been pushing hard to get into a lead position ahead of rivals. MGM plans to invest \$9B in their Osaka project. MGM has been an activist situation with Corvex building a stake in January and urging the company to consider an 'asset lite' model by selling down their real estate. The company owns the Bellagio, Circus Circus, and their new Springfield Massachusetts location. The fund thinks MGM could trade at a higher multiple by shifting their model. Analysts have an average target for shares of \$33.50 with 5 buy ratings and 6 hold. CSFB has a \$30 PT for shares and Neutral. They are positive on the Las Vegas 1H outlook with forward room rate, convention attendance and air

capacity all positive. Further, they think there is room for margin expansion in the Regional casinos while Macau could be volatile given higher geopolitical and policy risk. Short interest is 4.2%. Hedge Fund ownership rose 8.66%. Corvex has 15.6M shares, a more than \$400M position and their largest by weight at 28% of the portfolio. Starboard also holds 2.895M shares while HG Vora, Gates Capital, and Blue Harbor all top holders.