

TOP STORIES

- US, China Declare Trade Truce, Restart Talks
- Trump, Kim Agree to Restart Talks on Denuclearization
- OPEC+ Gravitates Toward Extending Output Cuts, Crude Jumps
- China's Factory Outlook Dimmed Again in June Ahead of G-20 Truce
- U.K. Factory Slump Deepens as PMI Drops to Lowest Since 2013
- Euro-Area Factories Remain Stuck in Downturn as Orders Slide

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2977.5 (33.25)	31.54
Nasdaq	7829.25 (135.5)	131.7
Dow	26869 (276)	271.04

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7514.44	1.20%
DAX	12552.89	1.24%
Nikkei	21729.97	2.13%
Hang Seng	Closed	

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
9:45	PMI Manufacturing	50.1
10:00	ISM Manufacturing	51.3
10:00	Construction Spending	0.3%

FOREX

EUR/USD	1.1343 (-0.22%)
USD/JPY	108.22 (0.32%)
USD/CAD	1.3097 (0.05%)
GBP/USD	1.2634 (-0.46%)
USD	96.03 (0.38%)

COMMODITY

Oil	59.88 (2.41%)
Natural Gas	2.307 (-0.04%)
Gold	1392.5 (-1.50%)
Copper	2.725 (0.42%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	15.08 (-4.68%)
Nasdaq	VXN	19.76 (-1.54%)
Oil	OVX	39.46 (4.28%)
Gold	GVZ	15.99 (2.70%)

MARKET OUTLOOK

Futures are indicating a sharply higher open this morning after the US and China agreed to resume trade talks. China agreed to make new purchases of US farm products and return to talks with US trade reps for a long-term deal. No deadline was set for progress and the two sides remains at odds on a number of issues. POTUS agreed to put new tariffs on hold as long as talks were going well which opens up for more whipsaw headlines in the future if Trump feels talks are not going as planned. One of the biggest surprises of the weekend was that POTUS offered concessions on Huawei allowing licenses to be approved for sales in the US. Oil is rallying this morning after OPEC+ made headway towards a long extension to production cuts. Production overall fell for the seventh straight month. The dollar is rallying up over 40 bps while the 10-year traded up to 2.046% overnight but is fading. Copper gapped up but has faded this morning.

Asian markets were very strong overnight with the trade agreements in Osaka and relaxing the Huawei ban. The Nikkei closed higher by 2% while Shanghai higher by 2.22%. Tech stocks jumped with **Tokyo Electron** up 5%, **Advantest** up 6% and **TDK** up 7%. Despite the positive trade news it was more bleak on the data-side. China Caixin PMI Manufacturing fell to 49.4 in June, below the forecasts for 50. Japanese Manufacturing PMI fell to 49.3 vs 49.5. Japanese exports fell 13.5% while imports fell 11.1%.

European markets are rallying on the US/China trade news with the STOXX 50 hitting its best levels in 17 months. Risk-on assets saw a big move higher while chips like **Infineon**, **Siltronic**, and **AMS** all rose around 5%. Autos were also strong. Eurozone manufacturing PMI fell to 47.6 vs 47.8 while we also saw weaker than expected results in the UK, Spain, Italy and Germany. UK mortgage lending remained weak in May as well.

S&P TECHNICALS

Levels: Support 2,850/2,800; Resistance 2,975/3,000



5403 Advancing	Declining 1856
70.8%	24.3%
282 New High	New Low 73
79.4%	20.6%
4689 Above SMA50	Below 2912
61.7%	38.3%
4496 Above SMA200	Below 3105
59.2%	40.8%

KEY EVENTS TO WATCH

Earnings: None

Other: COTY Turnaround Plan Call

Tomorrow... Loretta Mester Speaks at 11:00 AM. **Earnings Before the Open:** AYI, GBX, OMN, SMPL

ANALYST ACTION/COMMENTS

Anaplan (PLAN) upgraded to Buy at Goldman Sachs

Callon Petroleum (CPE) upgraded to Overweight at Barclays

United Therapeutics (UTHR) upgraded to Outperform at Credit Suisse

Six Flags (SIX) upgraded to Overweight at Keybank

Western Digital (WDC) upgraded to Buy at Mizuho

Tecnoglass (TGLS) upgraded to Strong Buy at RayJay

KB Home (KBH) upgraded to Neutral at BTIG

Tutor Perini (TPC) upgraded to Buy at DA Davidson

Vici (VICI) upgraded to Outperform at Wells Fargo

Zoom Video (ZM) downgraded to Sell at Goldman Sachs

Solar Winds (SWI) downgraded to Sell at Goldman Sachs

SM Energy (SM) downgraded to Underweight at Barclays

Carnival (CCL) downgraded to Hold at Berenberg

National Bank of Greece (NBG) downgraded to Hold at Deutsche Bank

SVB Financial (SIVB) downgraded to Neutral at Wells Fargo

Ericsson (ERIC) downgraded to Hold at Santander

Brunswick (BC) downgraded to Neutral at RBC

Yum Brands (YUM) downgraded to Longbow

Fox (FOXA) downgraded to Neutral at Guggenheim

Greensky (GSKY) downgraded to Hold at Sun Trust

Zoetis (ZTS) downgraded to Neutral at BAML

Eagle Materials (EXP) downgraded to Sell at Northcoast

Five Below (FIVE) initiated Buy at MSCO, \$135 PT

IAA started Buy at Sun Trust

MEDIA HIGHLIGHTS

WPP planning to sell 25% stake in Chime - Bloomberg

PG&E (PCG) wants changes to wildfire bill for restructuring plan - Bloomberg

Trump Says He'll Allow China's **Huawei** to Buy From U.S. Suppliers – Bloomberg

LafargeHolcim Is Said to Join Race for **BASF** Construction Unit – Bloomberg

DP World to Buy **Topaz Energy** in \$1.3B Deal - Sky News

China to Ease Ownership Rules on Oil Exploration, Gas Pipelines – Bloomberg

EQT Corp (EQT) Wins Glass Lewis Support in Fight With Rice Brothers – Bloomberg

U.S. Oil Companies Find Energy Independence Isn't So Profitable - NYT

Amazon (AMZN) experimenting with sports media strategy, potential NFL deal – Reuters

U.S. Deals Lead the Way in 2019 as Rest of the World Lags Behind – WSJ

Western Digital (WDC) power outage to cut flash-memory production, boost prices in market – WSJ

Chubb (CB) to ban coverage for coal companies - FT

Gaming market to see weak results in 2H19 – Digitimes

STOCK SPECIFIC NEWS OF NOTE

Santander Consumer (SC) ups quarterly div to 22c per share, authorizes \$1.1B buyback

AT&T (T), Communications Workers of America reach tentative agreements

Pfizer (PFE) says Phase 3 trial of revatio did not meet primary efficacy endpoint

TechnipFMC (FTI) win 'significant' subsea contract in India

Macau reports June casino revenue up 5.9%, better than consensus (**LVS, MGM, MLCO, WYNN**)

Applied Materials (AMAT) to buy **Kokusai Electric** for \$2.2B in cash from KKR

Brookfield Infrastructure (BIP) to acquire **Genesee & Wyoming (GWR)** for \$112 per share, cash

Performance Food (PFGC) to acquire Reinhart for \$2B

Biogen (BIIB) announces new data from NURTURE study of SPINRAZA

PRE-MARKET MOVERS

Moving Higher: NPTN 20.3%, GWR 8%, LITE 6.9%, STM 6%

Moving Lower:

INSIDER TRADING (Form 4 Filings)

Buying: MDCO, RUN, MGM, ABBV, IMMU

Selling: VG, FOXF, ADI, QDEL, EPZM, SWKS, WMT, CMG, FDS, HPQ, RL, KMX, UTHR

POTENTIAL SYMPATHY TRADES

MGM, LVS, MLCO, WYNN – on Macau data

NPTN, LITE – on Huawei ban lift

KSU, CP, NSC, UNP, CNI – on GWR deal

OPTION HIGHLIGHTS (Prior Day)

Scorpio Tankers (STNG) with 2,000 October \$30 calls today for \$2.55, aggressive trade, and follows buyers in the July \$27 calls and January \$26 calls recently. STNG has some notable size in the January 2021 \$35 calls from February with over 6,000 in OI. STNG did see some January 2021 \$8 far OTM puts open recently as well. Shares are nearing a flag breakout above \$29 with a measured target up to \$34 while long-term a big base forming and targeting \$45. STNG also showed notable positive RSI divergence on the weekly into the recent lows. The \$1.39B company trades 8.76X earnings, 2.2X sales, and 17X FCF with over \$10/share in cash. STNG sees EPS growth up to \$2.82/share by 2021 after earnings less than \$0.10 in 2019. Sales growth expected to be 21.3% in 2020. The company is a leader in seaborne transportation for refined fuel products with a massive owned fleet and long-term contracts. STNG is coming off a mixed report but overall costs declining and adding to their vessel fleet. They see TCE revenue up double-digits for the year. Analysts have an average target for shares of \$32.50. B Riley positive earlier this year seeing IMO 2020 and a spike in demand for low Sulphur fuel as a catalyst for shares. They also note the Baltic Clean Tanker Index is starting to stabilize after declining 25% in 2018. Jefferies positive this morning with a \$40 PT. They think the company remains the best play on the tanker super cycle and positioned to benefit from multi-year product recovery. STNG is the best-of-breed play in the space given their massive operating leverage and clean balance sheet. Short interest is 4.1% and down to multi-year lows recently. Hedge Fund ownership fell 15%. Benefit Street and 683 Capital notable concentrated holders.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.65	Cautious
CBOE Index Put/Call Ratio	1.16	Cautious
CBOE Skew Index	118.12	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	50	Neutral
NYMO	31.31	Neutral
NYSE New Highs	164	Strong
McClellan Summation	591.89	Above 8-EMA
Univ. of Michigan Consumer Sentiment	98.2 (June Final)	Flat Y/Y

SMART MONEY (13g/13d Filings)

IPO MONITOR

Nothing Expected

TRADE

WEEKLY TECHNICAL BREAKOUT

DIS:



Disney (DIS) shares are consolidating in a small bull flag above the 20-day MA and under the April highs made after the Disney+ announcement. A breakout above \$142.50 targets \$147 in the near term while \$155 the upside target from the May base.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Aspen Tech (AZPN)

Price: \$124.28

Valuation: Undervalued

Key Ratios:

	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
Stock	95X	16.4X	20.2X	35X	38.5X
Industry Avg.	--	8.7X	10.3X	51.1X	75X

Analysis: AZPN is a \$8.63B software company with a focus on asset optimization software. They have a number of end-markets like energy, engineering and construction. Their E&C customers showed net growth last quarter for the first time in three years with engineering and construction businesses improving and double-digit growth in manufacturing.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

VMW:



VMWare (VMW) shares are consolidating in a bear flag above the 200-day MA and key support at \$167. A breakdown targets \$157 and the February breakout level while RSI is weakening after a bounce.

PAIR TRADE OF THE WEEK

Industry: Packaging

Long/Short: Long **Crown Holdings (CCK)**, Short **Tupperware (TUP)**

Analysis: CCK is seeing better demand from a more robust beverage can market while Pepsi's recent shift to move Aquafina into cans may be a sign the industry is working away from plastics. TUP is seeing slower growth and lowering their FY outlook recently given greater FX headwinds.

SMALL CAP TRADE OF THE WEEK

Seacor (CKH) is a \$856M company focused on marine services. They operate a fleet of offshore support vessels serving the oil and gas sector. Shares trade 19.88X earnings, 1X sales, and 4.9X cash with 26.5% EPS growth. CKH sees growth through FY21 driven by a turnaround in charter rates, higher freight prices, and increase utilization for barge pools. CKH sees limited analyst coverage.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Summit Materials (SUM)	Dine Brands (DIN)	Eros International (EROS)
Sorrento (RNE)	Rollins (ROL)	Sesen Bio (SESN)
ST Micro (STM)	Smith & Nephew (SNN)	Stratasys (SSYS)
Eros Int'l (EROS)	KB Home (KBH)	Virnet (VHC)
Axalta (AXTA)	Sienta (SIEN)	Iovance (IOVA)
Packaging Corp (PKG)	Diodes (DIOD)	Gamestop (GME)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Evertec (EVTC)	USANA (USNA)	Smart Global (SGH)
Conduent (CNDT)	Xencor (XNCR)	Sorrento (SRNE)
PBF Energy (PBF)	Life Storage (LSI)	Sarepta (SRPT)
Vici (VICI)	MSCI (MSCI)	JK Solar (JKS)
Summit Materials (SUM)	PACCAR (PCAR)	Pareteum (TEUM)
Scientific Games (SGMS)	Murphy (MUR)	Summit (SUM)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
ON Semi (ON)	Sea (SE)	Intra-Cellular (ITCI)
Qudian (QD)	Knight Swift (KNX)	Deciphera (DCPH)
Teva Pharma (TEVA)	Transocean (RIG)	Zynerba (ZYNE)
Roku (ROKU)	Snap (SNAP)	Overstock (OSTK)
Halliburton (HAL)	Marathon (MRO)	Uniqure (QURE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
AT&T (T)	Bank of America (BAC)	Dine Brands (DIN)
Alibaba (BABA)	Gap (GPS)	Rollins (ROL)
Silver (SLV)	J&J (JNJ)	Smith & Nephew (SNN)
Citi (C)	Apple (AAPL)	Axalta (AXTA)
Electronic Arts (EA)	Microsoft (MSFT)	Packaging Corp (PKG)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Moderna (MRNA)	Nike (NKE)	CPRI, 1,500 November \$37.50/\$32.50 bull risk reversals
Blackstone (BX)	Exact Sciences (EXAS)	STMP, 500 Aug 2nd (W) / August 9th (W) \$44 call calendar spreads
Raytheon (RTN)	Incyte (INCY)	MRTX, 2,000 November \$115/\$150 call spreads
Yeti (YETI)	Signet (SIG)	QURE, 1,000 August \$70/\$50 put spreads
Boeing (BA)	National Beverages (FIZZ)	XNCR, 550 November \$40/\$30 put spread

Stock Specific News

AMD, Nvidia (NVDA) to fire up graphics card competition in early July – Digitimes

Brewers move upmarket in China as thirst for beer wanes – FT

Goldman Sachs (GS) Could Be a New Safety Stock – WSJ

Pareteum (TEUM) sees Q2 in line with expectations

Westlake (WLK) sees Q2, FY below consensus, revenues in line

Extras

American Express (AXP) buyers of 1,175 October \$125 calls up to \$5.70, rolling up the \$115 calls

BP with 1,800 July 26th (W) \$39 synthetic long opening for \$2.95, stock replacement

AB InBev (BUD) buyers of 2,000 July 5th (W) \$89 calls for \$1.03 to \$1.08 after Constellation's earnings

Avid Bioservices (CDMO) strong late with buyers of 2,200 July \$5 calls up to \$1

Five Below (FIVE) buyer of the January \$125/\$150 call spread 250X500

Kimberly Clark (KMB) buyer of 850 November \$135 calls for \$6.38 to \$6.51, adjusting some Oct. calls

Robert Half (RHI) buyers of more than 2,250 July \$55 calls for \$2.85 to \$3.10

Stanley Works (SWK) unusual 2,275 July 5th (W) \$148/\$150 call spread bought late for a small debit

Teck Resources (TECK) big move late with 3,000 July \$23 calls bought for \$0.79 to \$0.80

Deere (DE) with 5,000 December \$155 puts sold to open for \$7.30 in a stock replacement

United Rentals (URI) with 500 December \$120 puts sold to open \$7.70

McDermott (MDR) with another 10,000 November \$8 calls bought on Friday for more than \$2.5M and also seeing 2,000 August \$8 calls add as well where size already sits in open interest. MDR saw buyers of 3,000 July ITM \$5 calls and 10,000 August \$10 calls on 6-27 while the January \$9 calls with size adds on 6-25. Shares have run since late May up around 60% and back near resistance of a multi-month base at \$10. A breakout targets \$14 but a big low-volume gap from October stretches back to \$16. The \$1.75B oil and gas services company trades 4.35X earnings, 0.2X sales, and 4.2X cash with 42% EPS growth in FY20. The company sees 11.5% and 6.9% revenue growth going out two years with margins inflecting positively for the first time since late 2017. MDR provides EPC solutions to the energy industry. They

have geographic reach in the Americas, EMEA, and Pacific Rim. In 2017, MDR agreed to merge with CB&I in a \$6B deal creating a fully integrated onshore and offshore services company with an expanded presence in the Middle East and oil giant Saudi Aramco. Their technology portfolio has strong near-term visibility with a \$15.4B backlog and well positioned globally with a \$91B revenue opportunity pipeline in marine, fabrication, engineering and tech. They're starting to see earnings power grow as the offshore market recovers and anticipating capex growth in 2020/2021. Analysts have an average target for shares of \$24.50. CSFB with a Neutral rating and \$9 PT but positive on the recent \$2B Anadarko Mozambique LNG award. Institutional ownership fell 11.5%. AQR, Rubric Capital, Cooper Creek, and Anchor Bolt all notable holders of shares and calls. In January, a director bought \$101,828 in stock at \$10.18 and in 2018 a number of buys between \$7.90 and \$10.18 with the largest a \$504,854 buy at \$10.