

**TOP STORIES**

- Markets Muted Ahead of Powell Testimony
- Report: Trump Asks Aides for Ways to Weaken the US Dollar
- US, China Negotiators Hold Constructive Phone Talks on Trade
- Fed's Quarles: Stress Tests Must Be Easier for Banks to Pass
- EU Commission Cuts Growth and Inflation Forecasts
- Oil Gains on API Stockdraw

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>2975 (-7)</b>	<b>-8.63</b>
<b>Nasdaq</b>	<b>7825 (-20.25)</b>	<b>-24.86</b>
<b>Dow</b>	<b>26713 (-66)</b>	<b>-67.49</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7528.51</b>	<b>-0.11%</b>
<b>DAX</b>	<b>12374.17</b>	<b>-0.50%</b>
<b>Nikkei</b>	<b>21533.48</b>	<b>-0.15%</b>
<b>Hang Seng</b>	<b>28204.69</b>	<b>0.31%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>10:00</b>	<b>Atlanta Fed</b>	
<b>10:00</b>	<b>Jerome Powell Testimony</b>	
<b>10:30</b>	<b>EIA Petroleum</b>	
<b>2:00</b>	<b>FOMC Minutes</b>	

**FOREX**

<b>EUR/USD</b>	<b>1.1217 (0.10%)</b>
<b>USD/JPY</b>	<b>108.9 (0.06%)</b>
<b>USD/CAD</b>	<b>1.312 (-0.04%)</b>
<b>GBP/USD</b>	<b>1.2469 (0.03%)</b>
<b>USD</b>	<b>97.07 (-0.03%)</b>

**COMMODITY**

<b>Oil</b>	<b>59.22 (2.4%)</b>
<b>Natural Gas</b>	<b>2.429 (0.16%)</b>
<b>Gold</b>	<b>1397 (-0.25%)</b>
<b>Copper</b>	<b>2.659 (1.30%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>14.09 (0.93%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>17.42 (-1.97%)</b>
<b>Oil</b>	<b>OVX</b>	<b>30.30 (-10.9%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>13.45 (3.54%)</b>

**MARKET OUTLOOK**

Futures are indicating a modestly lower open again today with all eyes on Jerome Powell on Capitol Hill today. The Fed chair is expected to stick to the narrative from last month on rates with the bank acting as appropriate. No change in the language will stabilize thoughts about a rate cut this month after the strong jobs report tempered some expectations. Powell will also face questions again about POTUS's criticism. In trade, USTR Lighthizer and Mnuchin held a phone call with China's Liu He, the first contact between the two sides since the G-20. They continue to outline next steps. There's some reporting recently that China is unsure of a long-term agreement with Trump given the upcoming election in 2020. A report out of Bloomberg this morning also highlights how the President has asked aides about weakening the US dollar. Kudlow and Mnuchin both oppose intervention.

Asian markets were weak again this morning as sentiment remains cautious ahead of Powell today. The Nikkei was down modestly. Machinery names lagged after weak monthly data with **Fanuc** down 2% and **Yaskawa Electric** down 1.5%. **Chiba Bank** was up 3.8% after M&A headlines. **Japan Post** fell 5% after reports it double-charged customers. China CPI came in at 2.7%, in line with expectations, while PPI was weak at 0.0% vs 0.3%. Japanese PPI fell to -0.1% vs 0.4% forecast.

European markets are muted ahead of Powell this morning with the DAX lagging. UK GDP was in line with expectations at 0.3% for the month while construction output improved by 0.6% which was better than feared. Industrial production slowed. Italian industrial production rose 0.9%, up from -0.8% and better than the 0.1% expected. **Airbus** rose 1.5% after confirming 28% growth in deliveries. **Hays** fell 6.6% after peer **Pagegroup** warned on profits.

**Zillow (ZG)** initiated at Buy this morning at Sun Trust, \$58 PT. The firm is positive on recent efforts to become a "primary" in real-estate transactions, which could generate a compound annual growth rate of over 40%

**S&P TECHNICALS**

**Levels:** Support 2,850/2,800; Resistance 3,000/3,150



<b>3566 Advancing</b>	<b>Declining 3631</b>
<b>46.5%</b>	<b>47.3%</b>
<b>225 New High</b>	<b>New Low 97</b>
<b>69.9%</b>	<b>30.1%</b>
<b>4828 Above SMA50</b>	<b>Below 2761</b>
<b>63.6%</b>	<b>36.4%</b>
<b>4483 Above SMA200</b>	<b>Below 3106</b>
<b>59.1%</b>	<b>40.9%</b>

**KEY EVENTS TO WATCH****Earnings After the Close:** AIR, BBY, PSMT, YRD**Analyst Days:** WYNN**Conferences:** ISTH 2019 Congress, SEMICON West 2019**Tomorrow...** Jobless Claims at 8:30, Jerome Powell Speaks at 10:00, EIA Nat Gas at 10:30, John Williams Speaks at 11:00, Randal Quarles Speaks at 1:30, John Williams Speaks at 1:30. **Earnings Before the Open:** DAL, FAST**ANALYST ACTION/COMMENTS****Total (TOT)** upgraded to Buy at Credit Suisse**Welbilt (WBT)** upgraded to Buy at Citi**Comcast (CMCSA)** upgraded to Conviction Buy at Goldman**HCA Healthcare (HCA)** upgraded to Buy at Goldman**Core Labs (CLB)** upgraded to Buy at BAML**Norfolk Southern (NSC)** upgraded to Conviction Buy at Goldman**Southwestern (SWN), Gulfport (GPOR)** downgraded to Underperform at Credit Suisse**CSX Corp (CSX), Canadian Pacific (CP)** downgraded to Hold at Loop Capital**Steris (STE)** downgraded to Neutral at Keybank**Universal Display (OLED)** downgraded to Neutral at OpCo**AGCO** downgraded to Neutral at JP Morgan**Parker Hannifin (PH)** cut to Neutral at JP Morgan**Trimble (TRMB)** downgraded to Neutral at JP Morgan**Deere (DE)** downgraded to Neutral at UBS**Redfin (RDFN), Zillow (Z)** initiated Buy at Sun Trust**CoStar (CSGP), Real Page (RP)** initiated Outperform at Keefe Bruyette**Pinduoduo (PDD)** initiated Sell at JP Morgan**Unum (UNM)** initiated Sell at Credit Suisse**Union Pacific (UNP)** initiated Buy at Goldman**UPS, Fed-Ex (FDX)** initiated Conviction Buy at Goldman**JB Hunt (JBHT)** initiated Buy at Goldman**Expeditors (EXPD)** initiated Sell at Goldman**MEDIA HIGHLIGHTS****EQT Corp (EQT)** activists take control of board in proxy battle - BloombergKudlow says WH discussing extending **Chevron's (CVX)** Venezuela waiver - Bloomberg**Tesla (TSLA)** Tells Staff It's Preparing to Lift Output at Fremont Plant – Bloomberg**AB InBev (BUD)** Asian IPO May Price Below Midpoint – BloombergU.S. to approve sales it deems safe to **Huawei** – Reuters**Acacia** says valuation higher than **Barrick (GOLD)** buyout offer, extends bid deadline – ReutersLady Gaga to launch beauty line on **Amazon (AMZN)** as retailer targets cosmetics business – Reuters**Apple (AAPL), Amazon (AMZN), Facebook (FB)** to testify to House on antitrust matters – WaPo**Microsoft (MSFT)** to expand rural internet access - NY PostBulgaria Agrees to Buy F-16 Jets From U.S. in \$1.25-Billion Deal (**LMT**) – Bloomberg**KKR** in talks to sell majority stake in French call centre operator **Webhelp** for \$2.69B – ReutersEgyptian digital payments company **Fawry** preparing for IPO – Reuters**GlaxoSmithKline (GSK)** Dovato meets primary goal in late-stage HIV study – Reuters

Flood of New Jets Will Create Turbulence - WSJ

**STOCK SPECIFIC NEWS OF NOTE****Palo Alto (PANW)** acquires Twistlock for \$410M in cash**Mirati (MRTX), Novartis (NVS)** collaborate to evaluate MRTX849 in combo with TNO155**T-Mobile (TMUS)** to replace Red Hat in S&P 500**Harmonic (HLIT)** enters licensing agreement with **Comcast (CMCSA)** affiliate**TSMC (TSM)** June revenue up 21.9% y/y**Cedar Fair (FUN)** reports 3% revenue increase through July 4<sup>th</sup> WeekendTrump to sign Executive Order today related to kidney health (**DVA, FMS**)**McDermott (MDR)** awarded \$3B EPCI mega-project by Saudi Aramco; \$1.5B engineering project

**PRE-MARKET MOVERS**

**Moving Higher:** TMUS 3.4%, DB 2.9%

**Moving Lower:** CEI -12.4%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** BXC

**Selling:** PLAB, PAYX, GHDX, PAYX, IR, ETSY, COF, TDG, BLL, DLB, RMD, NOVT, MORN

**POTENTIAL SYMPATHY TRADES**

FAST, GWW – on MSM earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Tenable (TENB)** with buyers active for 1650 August \$30 calls this morning for \$1.70 to \$1.90, trading nearly 15X average. TENB has over 900 September \$30 calls and \$35 calls in OI from buyers earlier this year. Shares are working on a nice multi-week base under \$30 with a long-term channel target up to \$38. Shares have downtrend resistance at \$32.50 from the 2018 highs. The \$2.55B company trades 9X cash and 8.7X EV/sales with 25.2% and 23.5% sales growth expected over the next two years. TENB continues to grow their user base with over 2M unique downloads and 27,000 customers with a significant mix towards large companies. They have over 90% recurring revenue, up from 86% in 2017. TENB is benefitting from growing demand from enterprise operations for vulnerability detection with a surge in applications, IoT, and cloud opportunities. The VM market is expected to hit \$6B in 2021, up from \$3.7B in 2017, while TENB sees a potential \$16B opportunity to expand into new analytics products and expand services outside of traditional IT assets. Analysts have an average target for shares of \$37.50 with 9 buy ratings and 2 hold. Cowen starting at Outperform on 5-23 with a \$36 PT seeing the company well positioned to capitalize on the growing important of Vulnerability Management which is becoming a core element of all cyber solutions. They see the TAM continuing to expand for the next 3-5 years. Wedbush with a \$44 PT on 5-1. They see upside to billings for the remainder of the year. Short interest is 2% and down from 3% earlier this year. Hedge Fund ownership rose 86.6% last quarter. Millennium Management, Vista Equity, Glynn Capital, Gladstone Capital, and Alta Park all notable holders.

**AFTER HOURS MOVERS**

**Gainers:** HLIT 12%, HELE 8.4%, TMUS 3.8%, EQT 3.8%, WDFC 3.3%, S 2.4%

**Losers:** LEVI -7.4%

**MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.653	Rising – Cautious
CBOE Index Put/Call Ratio	1.15	Declining
CBOE Skew Index	126.66	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	59	Greed
NYMO	30.75	Moderately Extended
NYSE New Highs	92	Neutral
McClellan Summation	725.81	Above 8-EMA
Univ. of Michigan Consumer Sentiment	98.2 (June Final)	Flat Y/Y

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

**IPO MONITOR**

Nothing Expected

**SECONDARY MONITOR**

**Health Equity (HQY)** issuing 6.75M in stock at \$61

# TRADE

## WEEKLY TECHNICAL BREAKOUT

WWD:



**Woodward (WWD)** shares are consolidating in a weekly bull flag under \$117.5 with a breakout targeting \$125/\$130. The 8-week EMA has been supportive each of the last seven weeks and starting to slope higher again. MACD is nearing a bullish crossover.

## FUNDAMENTAL TRADE OF THE WEEK

**Stock:** Qualys (QLYS)

**Price:** \$88.4

**Valuation:** Undervalued

**Key Ratios:**

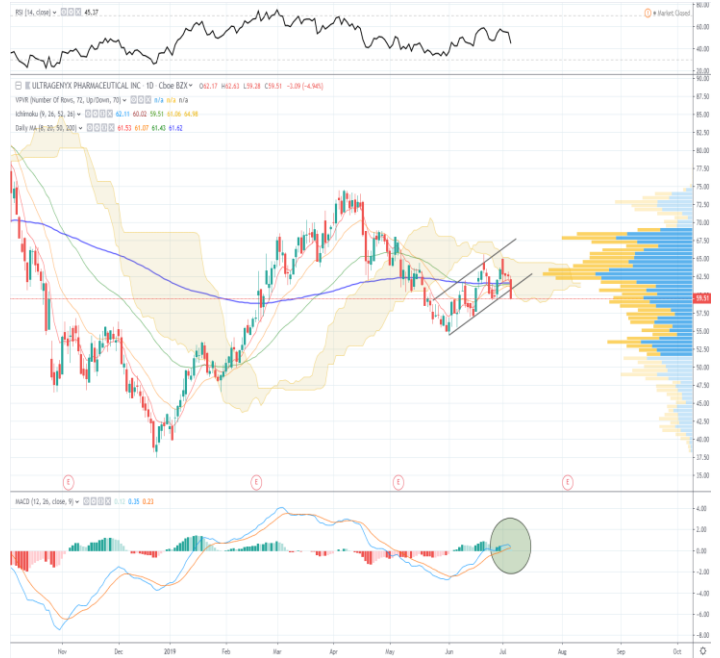
	Fwd. PE	P/S	P/B	EV / EBITDA	P/FCF
<b>Stock</b>	<b>95X</b>	<b>16.4X</b>	<b>20.2X</b>	<b>35X</b>	<b>38.5X</b>
<b>Industry Avg.</b>	--	<b>8.7X</b>	<b>10.3X</b>	<b>51.1X</b>	<b>75X</b>

**Analysis: Qualys (QLYS)** is a \$3.4B software company which trades cheap at 11X EV/sales and 11X cash with limited debt. They expect 15% and 20.9% EPS growth through FY21 with sales growth of 16.4% and 18.5%. The company focuses on security and compliance solutions for IT that is seeing strong tailwinds from growth in big data and analytics in enterprise. Nomura recently starting at Buy with a \$108 PT behind their "industry-leading" margin profile along with "attractive" growth.

# IDEAS

## WEEKLY TECHNICAL BREAKDOWN

RARE:



**Ultragenyx (RARE)** shares are breaking down out of a bear flag after a weak trend from April to June. Shares rebounded back to cloud resistance and have room back to recent lows around \$55 and then the early January range. MACD is back around zero and nearing a bear crossover while RSI is weakening.

## PAIR TRADE OF THE WEEK

**Industry:** Lithium

**Long/Short:** Long **Albemarle (ALB)**, Short **Sociedad Quimica (SQM)**

**Analysis:** SQM is facing headwinds from their high-exposure to current lithium spot prices while increased spending will put more pressure on the balance sheet. ALB is better focused on high-return projects while long-term contracts for lithium help give ALB lower-costs and set them apart from peers.

## SMALL CAP TRADE OF THE WEEK

**Turning Point Brands (TPB)** is a \$988M producer of tobacco product in the US. They also have smokeless and e-cigarettes, the latter a big area of interest. The company is in the early stages of rolling out their CBD product which will give them entrance into a massive market. In May, an insider bought stock around \$50.50.

## DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Wisdom Tree (WETF)	Murphy Oil (MUR)	Uranium (UEC)
Hilton Grand (HGV)	Acacia (ACIA)	Dryships (DRYS)
Summit (SUM)	Leggett & Platt (LEG)	Mallinckrodt (MNK)
Seattle Genetics (SGEN)	Lindsay (LNN)	Gamestop (GME)
ELF Beauty (ELF)	Henry Schein (HSCI)	Tenable (TENB)
Liberty (LBTYA)	Spark Therapeutics (ONCE)	Summit Materials (SUM)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Hilton Grand (HGV)	Exone (XONE)	Acacia (ACIA)
Wisdom Tree (WETF)	Qurate (QRTEA)	Lindsay (LNN)
Toyota (TM)	Henry Schein (HSIC)	Weight Watchers (WW)
Cemex (CX)	Liveramp (RAMP)	Santander (SAN)
Uranium Energy (UEC)	Santander (SAN)	Amarin (AMRN)
EQT Corp (EQT)	Murphy (MUR)	Chemours (CC)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Gamestop (GME)	Chewy (CHWY)	Deciphera (DCPH)
Dryships (DRYS)	Schlumberger (SLB)	Intra-Cellular (ITCI)
Seattle Genetics (SGEN)	Bed Bath (BBBY)	GlycoMimetics (GLYC)
Disney (DIS)	Overstock (OSTK)	Overstock (OSTK)
Schlumberger (SLB)	P&G (PG)	Zynerba (ZYNE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Nio (NIO)	AT&T (T)	Murphy Oil (MUR)
US Steel (X)	Leggett (LEG)	Acacia (ACIA)
Freeport (FCX)	Therapeutics MD (TXMD)	Leggett & Platt (LEG)
Twitter (TWTR)	Hilton Grand (HGV)	ELF Beauty (ELF)
Oracle (ORCL)	Ford Motor (F)	Liberty (LBTYA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Electronic Arts (EA)	Infosys (INFY)	TSCO, 400 Aug. 2nd (W) \$108/\$96 put spreads
Lululemon (LULU)	JB Hunt (JBHT)	CTAS, 800 July/August \$230 put calendar spreads
Citi (C)	Snap (SNAP)	TSN, 4,000 August 9th (W) \$82/\$77 put spreads
Polaris (PII)	Tractor Supply (TSCO)	ECA, August \$5/\$4 put spread 17,000X10,000
Hess (HES)	II-VI (IIVI)	X, 6000 September \$14 synthetic longs

## Extras

**Salesforce (CRM)** late day buys 5000 September \$155 calls \$7.30 to \$7.40 where size sits in OI

**JD.com (JD)** seeing August \$32 calls bought offer late with 5000 trading to \$1.14

**Shopify (SHOP)** with July \$320/\$335 call spreads bought 1,400X

**Zen-Desk (ZEN)** roll of 1000 October \$95 short calls to January \$105, likely a buy-write position

**Elastic (ESTC)** IV jumped into the close with aggressive opening buys 1000 August \$85 calls \$2.40 to \$2.60 in sweeps

**Ciena (CIEN)** traded 2.5X daily calls with IV rising from 1:30pm into the close, buyers active in weekly calls, the July \$42 at 1250X, and Aug 2<sup>nd</sup> (W) \$41 calls 735X

**The Trade Desk (TTD)** with over \$970K in August 2nd (W) \$220 calls bought yesterday and follows bull put spreads opened on 7-3 and buyers of the August \$295 calls on 6-26. Shares are basing in a small range just below new highs after re-testing the April/May breakout range. MACD is nearing a bullish crossover while RSI perking back above 55, ready to run. TTD has a measured target up to \$300. The \$10.9B company trades 50X cash and 20.55X EV/sales. They expect 25.5% and 30.4% EPS growth, up near \$5/share, while revenue growth of 29.3% and 27.7%. Shares fell on earnings recently despite raising their outlook and strong growth in advertisers and agencies added to the platform. They continue to see tailwinds from spending growth in Mobile, Video, Connected TV, and Audio while data spend again grew about 2x their business. TTD has been investing in their product, infrastructure, and international expansion to build market share. The company sees a \$725B total ad spending market, \$230B in linear television, and \$50B in display. Analysts have an average target for shares of \$191.25. RBC downgrading shares on 7-1 due to valuation. Nomura downgraded shares to Reduce on 6-12 seeing near-term expectations out of line with fundamentals, no matter how strong. They think TTD isn't outpacing the industry as much as investors think and that its total addressable market is not \$1 trillion. The company's revenue potential is \$12B, roughly in line with its \$11B market cap. Short interest is 9.2% and rising in 2019 up from 7% in January. Hedge Fund ownership rose 36.77% last quarter. Whale Rock Capital, Jericho Capital, Hitchwood, and AQR all notable holders.

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
HELE	Helen of Troy	\$2.06	\$1.69	\$376.30	\$351.54	6.10%	Raises FY
KSHB	KushCo	-\$0.10	-\$0.13	\$41.50	\$40.42	221.70%	
LEVI	Levi Strauss	\$0.17	\$0.38	\$1,313.00	\$1,293.80	5.40%	FY Light
WDFC	WD-40	\$1.30	\$1.22	\$114.00	\$109.40	6.50%	
ANGO	AngioDynamics	\$0.25	\$0.26	\$96.30	\$92.34	9.1%	Affirms FY
MSM	MSC Industrial	\$1.44	\$1.49	\$866.5	\$881.62	4.6%	FY Below

**HELE – Beat on EPS and Revenues** - "This quarter marks a great start to fiscal 2020 and Phase II of our Transformation, which we recently unveiled during our Investor Day on May 21st. Consolidated core business sales grew 6.8% and adjusted diluted EPS grew 10.2%, both well ahead of our expectations given the especially high year-ago base. Continued investment behind our Leadership Brands paid off handsomely, with net sales growth of 7.4% in the quarter. We continue to gain significant ground online with strong double-digit growth to now represent 23% of consolidated sales. Housewares had a stellar quarter, and strong Beauty appliance sales drove growth in that segment. As expected, our Health & Home segment faced a tough comparison to the very strong first quarter of last fiscal year. As a result of the strong start, we are pleased to raise our revenue and EPS outlook for Fiscal 2020."

**LEVI – Missed on EPS and Revenues In Line** - "Our second quarter and first half results reflect the continued strength of our diversified business model as we delivered broad-based growth across all brands, regions and key product categories despite a challenging retail and macroeconomic environment," said Chip Bergh, president and CEO of Levi Strauss. "For both periods, the Levi's brand grew in all three regions across men's, women's, tops and bottoms and maintained its position at the center of culture through iconic products and consumer experiences."

#### **Biotech Event Focus**

**GlycoMimetics (GLYC)** will report key data will report key Phase 3 data soon for rivipansel, their treatment of vaso-occlusive crisis of sickle cell disease. A VOC is a complication of SCD in which blood vessels are blocked by sickled red blood cells. This can cause painful episodes and even organ damage. GLYC's treatment looks to alleviate three main issues: reduce cell adhesion to one another, reduce activation, and reduce inflammation. They think rivipansel can be a first of its kind treatment for VOC which will also shorten hospital stay times and lower the use of opioids for pain management. There's a significant market for the drug with lack of current available care and ER attitudes towards SCD patients often a barrier to care. GLYC is developing the treatment with Pfizer (PFE) and eligible for milestone payments at multiple levels of the process. It has Fast Track status from the FDA. In Phase 2 trials, rivipansel had positive results and safety profile. PFE has said that the market for VOC could makes the drug a potential blockbuster with peak sales over \$1B. The \$502M company trades 2.57X cash. Short interest is 12.1% but down from around 18% in late 2018. Analysts have an average target for shares of \$25.50. Jefferies out positive on 6-28 with a \$19 PT. They think shares could rally 50% on positive data. While they think that the trial is difficult to predict, the design and the enrollment of younger patients "provide some confidence of a positive outcome." Piper positive on 5-28 as their expert hematologist expects rivipansel to be successful in the Phase 3 trial and anticipates use for most acute sickle cell disease crises requiring provider intervention. The firm sees a \$1.5B opportunity in rivipansel. Hedge fund ownership fell 4%. Asymmetry Capital and Redmile top holders. GLYC has limited options open interest but two notable trades recently. On 7-8 a trader sold 2,500 September \$7.50 puts for \$0.50 to buy the \$15/\$22.50 call spread for \$1.25. GLYC also had 1,850 September \$10 puts sold for \$1.80.

