

TOP STORIES

- Global Markets Snap Losing Streak as Powell Continues Testimony in Washington
- BOE Sees Greater Risk of No Deal Brexit
- Oil Rises to Seven-Week High on Gulf Storm, U.S. Stockpiles Draw
- OPEC Sees Lower 2020 Demand for its Oil, Points to Surplus

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3005 (7.5)	8.23
Nasdaq	7951.75 (23)	26.35
Dow	26946 (86)	92.8

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7525.96	-0.06%
DAX	12352.37	-0.17%
Nikkei	21643.53	0.51%
Hang Seng	28431.8	0.81%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	CPI	1.6%
8:30	Weekly Claims	220k
10:00	Jerome Powell Testifies	
10:30	EIA Nat Gas	
11:00	John Williams Speaks	

FOREX

EUR/USD	1.1273 (0.21%)
USD/JPY	108.11 (-0.32%)
USD/CAD	130.52 (-0.21%)
GBP/USD	1.2561 (0.50%)
USD	94.48 (-0.24%)

COMMODITY

Oil	60.75 (0.53%)
Natural Gas	2.471 (1.10%)
Gold	1423.6 (0.79%)
Copper	2.6885 (-0.20%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.16 (-6.60%)
Nasdaq	VXN	16.6 (-4.59%)
Oil	OVX	30.67 (1.22%)
Gold	GVZ	14.39 (6.99%)

MARKET OUTLOOK

Futures are indicating a higher open for the morning, the first green open in almost a week. Fed Chair Jerome Powell is set to continue his testimony on Capitol Hill today. He'll take questions from the Senate starting around 10. Yesterday, Powell all but said that there will be a rate cut this month but the question is now how much. In Europe, the BOE's financial stability report out this morning warned that risk of a no deal Brexit has risen. It is now expected to have a significant impact on the Euro-area. Tensions are rising in the Persian Gulf with the UK navy intervening in a dispute between Iran and BP.

Asian markets were strong overnight with Powell's comments helping lift sentiment around a rate cut. It was a quiet night for new data without any notable readouts. **Nintendo** jumped 4% after introducing the Switch Lite. **Yaskawa Electric** was modestly higher into earnings, kicking off Q2 for the region. **Japan Post** fell 6.4% after admitting to mismanagement on 90k policies.

European markets opened positive this morning but fading into the red mid-day. The indices are looking to break a four-day losing streak. German CPI remained steady at 1.6%. French CPI rose slightly in June. **Reckitt Benckiser** up over 2.5% after announcing a \$1.4B settlement in the US.

Target (TGT) in focus today with Goldman starting at Conviction Buy, \$102 PT. The firm thinks the company is starting to benefit meaningfully from door closures, and an inflection in operating income growth should drive accelerating earnings growth.

S&P TECHNICALS

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



4556 Advancing	Declining 2645
59.3%	34.5%
556 New High	New Low 92
85.8%	14.2%
4973 Above SMA50	Below 2616
65.5%	34.5%
4558 Above SMA200	Below 3031
60.1%	39.9%

KEY EVENTS TO WATCH**Conferences:** SEMICON West 2019**Tomorrow...** PPI-FD at 8:30 AM. **Earnings Before the Open:** INFY**ANALYST ACTION/COMMENTS****Freeport (FCX)** upgraded to Buy at Deutsche Bank**WW (WW)** upgraded to Neutral at JP Morgan**Willis Towers Watson (WLTW)** upgraded to Outperform at Wells Fargo**Abercrombie (ANF)** upgraded to Neutral at Wedbush**Dillards (DDS)** upgraded to Neutral at Wedbush**Parker Hannifin (PH)** cut to Neutral at Wells Fargo**Manpowergroup (MAN)** downgraded to Sell at CSFB**Alcoa (AA), Commercial Metals (CMC)** downgraded to Neutral at Deutsche Bank**Cimarex (XEC)** downgraded to Neutral at BMO**PDC Energy (PDCE)** downgraded to Neutral at BMO**Fleetcor (FLT)** downgraded to Hold at MSCO**Ameritrade (AMTD)** downgraded to Hold at MSCO**Int'l Paper (IP)** downgraded to Neutral at Citi**Air Products (APD)** downgraded to Hold at UBS**Heico (HEI)** downgraded to Sell at BAML**Iron Mountain (IRM)** downgraded to Sell at BAML**Comerica (CMA), Cullen Frost (CFR)** downgraded to Sell at BAML**Methanex (MEOH)** downgraded to Neutral at CIBC**Continental (CLR)** downgraded to Hold at BMO**Werner (WERN)** downgraded to Sell at CSFB; **JBHT, SNDR, ODFL** downgraded to Neutral**Allstate (ALL)** downgraded to Sell at CSFB**Southern Copper (SCCO)** initiated Sell at Macquarie**Dine Brands (DIN)** initiated Buy at BarclaysGoldman initiating in retail with **TGT, COST, ORLY, WMT, BJ, HD, LOW, WSM, EYE, AZO, TSCO** at Buy, **GPC, FND, RH** at Neutral, and **BBBY, TCS** at Sell**MEDIA HIGHLIGHTS****McAfee** in talks for an IPO listing - WSJ**Berkshire's (BRK.B)** Benjamin Moore to become Ace Hardware's paint supplier (negative **SHW**) – WSJPotential Tropical Storm Barry will soon impact Gulf Coast (**GNRC, XLE, USO**) – Reuters**Amazon (AMZN)** is growing music subs faster than **Apple (AAPL)** or **Spotify (SPOT)**. FT

Global semiconductor equipment sales to contract 18.4% in 2019 – Digitimes

Taiwan Semi (TSM) 2H19 performance hinges mostly on new iPhones sales – Digitimes**Swiss Re** Suspends IPO of ReAssure Unit on Weak Investor Demand – Bloomberg**AB InBev (BUD)** Asian Unit Guides HK IPO Pricing Toward Low End of Range – BloombergUK competition watchdog flags concerns on **Live Nation (LYV), MCD** merger – Reuters**Hitachi** starts sale of \$5.6B chemical unit, first bids due by Aug. 9 – ReutersTrump administration withdraws proposal to end drug rebates (positive **CVS, UNH, CI**) - Politico**STOCK SPECIFIC NEWS OF NOTE****Neurocrine's (NBIX)** NDA for opicapone in Parkinson's Disease accepted by FDA**American Eagle (AEO)** authorizes additional 30M shares for repurchase**Biohaven (BHVN)** reports 'positive' results from Phase 3 rimegepant clinical trialUSTR confirms investigation into French plan to tax U.S. tech giants (**FB, GOOGL**)**Costco (COST)** reports June comparable sales up 5.4%**Reckitt Benckiser** reaches \$1.4B opioid drug settlement with DOJ, FTC**Eli Lilly (LLY)** Phase 3 Emgality study results published**The Buckle (BKE)** June comparable store net sales up 6.2%**Circor (CIR)** board rejects **Crane's (CR)** revised offer**JetBlue (JBLU)** reports June traffic up 4.7%**McDermott (MDR)** awarded sizeable offshore engineering contract by Qatar Petroleum

PRE-MARKET MOVERS

Moving Higher: CVS 2.6%, DAL 2.4%, WBA 1.9%

Moving Lower: BBY -2.5%

INSIDER TRADING (Form 4 Filings)

Buying: SBGI

Selling: SCS, XYL, PFPT, PHM, LH, CRM, SNAP, BGNE, DXCM, CBRL, ZEN, XLNX, NOW

POTENTIAL SYMPATHY TRADES

AAL, UAL, JBLU, SAVE – on DAL earnings

OPTION HIGHLIGHTS (Prior Day)

Retrophin (RTRX) with 3,000 August \$22.50/\$30 call spreads bought this morning for \$1.70, same spot 2,000 were bought yesterday. RTRX has seen 5,000 August \$25/\$15 bull risk reversals bought on 7-5 and 1,000 September \$25 calls bought recently as well. On 7-1, a trader bought 5,000 August \$20 puts tied to long stock while some September collars have also opened around long stock. Shares are consolidating above the 13- and 20-MA recently with the 200-day as well as multi-month downtrend up at \$22 in focus. A run higher targets \$24 and then back up to a VPOC around \$28. Longer-term, shares are well off of 2018 highs around \$33 but held multi-year trend support and forming a series of higher lows since 2014 with a bullish MACD crossover and RSI back near 50 on the weekly. The \$856M biotech trades 5.2X sales and 1.9X cash with expectations to earn over \$1.80/share in EPS by FY21. Revenue growth is expected to be 16% and 39.8% over the next two years with three approved treatments on the market and recent FDA expansion of Thiola set to ramp in the 2H. RTRX focuses on rare diseases with a number of mid- and late-stage trials ongoing PKAN, FSGS, and others. They expect Phase 3 data in PKAN in Q3. Analysts have an average target for shares of \$44.50 with 6 buy ratings. Canaccord with a \$41 PT on 7-1 noting the new Thiola expansion frees patients from planning doses around meals and its revenue stream will support earnings through 2022. Short interest has risen recently to 11% but down from as high as 19% in 2017. Hedge Fund ownership fell 5% last quarter. Scopia Capital, Consonance Capital, and Perceptive three of the top holders and concentrated positions for all. Broadfin and Ghost Tree also owners.

AFTER HOURS MOVERS

Gainers: AIR 6%, FCX 2.5%, BBY 2%

Losers: PSMT -9%

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

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
Stock	95X	16.4X	20.2X	35X	38.5X
Industry Avg.	--	8.7X	10.3X	51.1X	75X

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>
GlycoMimetics (GLYC)	GlycoMimetics (GLYC)	Eros (EROS)
Pacific Bio (PACB)	GNC Holdings (GNC)	Roku (ROKU)
Matador (MTDR)	Deciphera (DCPH)	Melinta (MLNT)
Helen of Troy (HELE)	KAR Auction (KAR)	Gamestop (GME)
Wyndham (WH)	EQT Corp (EQT)	Retrophin (RTRX)
Host Hotels (HST)	Altice (ATUS)	GlycoMimetics (GLYC)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Invacare (IVC)	LG Display (LPL)	Tocagen (TOCA)
Uranium Energy (UEC)	Exone (XONE)	Symantec (SYMC)
Kforce (KFRC)	Community Health (CYH)	Helen of Troy (HELE)
Equitrans (ETRN)	KAR Auction (KAR)	Yelp (YELP)
Rogers (ROG)	PTC	Nio (NIO)
WESCO (WCC)	Unum Group (UNM)	Dish Network (DISH)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
GlycoMimetics (GLYC)	Chewy (CHWY)	Deciphera (DCPH)
Avis Budget (CAR)	Deciphera (DCPH)	Intra-Cellular (ITCI)
Century Link (CTL)	Iron Mountain (IRM)	GlycoMimetics (GLYC)
TI (TXN)	PagSeguro (PAGS)	Overstock (OSTK)
Coupa Software (COUP)	CoreCivic (CXW)	Zynerba (ZYNE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Facebook (FB)	Carrizo (CRZO)	GlycoMimetics (GLYC)
GlycoMimetics (GLYC)	Silver (SLV)	GNC Holdings (GNC)
Morgan Stanley (MS)	Gold (GLD)	Deciphera (DCPH)
Zynga (ZNGA)	HP Enterprise (HPE)	Wyndham (WH)
Symantec (SYMC)	American Air (AAL)	Host Hotels (HST)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Dropbox (DBX)	Target (TGT)	TPX, September \$77.50/\$85 call spread bought 700X1400
Kraft (KHC)	Apollo (APO)	DIS, 5000 August \$150/\$155 call spreads
Zynga (ZNGA)	Altria (MO)	MS, 2500 January \$42/\$41 bull risk reversals
Dell Tech (DELL)	Ralph Lauren (RL)	BGNE, 300 November \$170/\$95 bull risk reversals
Skechers (SKX)	Chegg (CHGG)	NFLX, 3300 September \$350/\$300 put spreads

Extras

Jack in the Box (JACK) IV rose late with 1200 July \$80 calls opening up to \$1.10

Harley (HOG) buyer late of 1600 July 26th (W) \$35 puts for \$0.87 targeting earnings 7-23

Amarin (AMRN) with 5000 August \$21 straddles bought late for \$3.35 that skews bullish Delta

Applied Materials (AMAT) afternoon buyer 2000 January \$43 puts \$3.35 to \$3.40

First Solar (FSLR) buyer 1000 September \$67.50 calls \$3.85

Altice USA (ATUS) with 2700 January \$27 OTM calls bought \$1.70 offer to open in the afternoon

Pinduoduo (PDD) late day put sellers into negative sell-side note weakness as 1250 of the January \$19 puts sold \$2.05 to open and 5000 of the \$15 puts for \$0.65

Parsley Energy (PE) with buyers yesterday for 4,000 September \$20 calls for \$0.95 to \$1, adding to open interest where over 5750 sat prior. PE had buyers in the January 2021 \$20 calls on 7-1 and the January 2021 \$22.50/\$15 bull risk reversals opened 10,000X on 6-25. The January 2021 \$17.50 calls and December \$15 calls also active. PE shares are formed a wide base under \$22 with a big low-volume gap back up to \$26 from the October breakdown level. The \$5.79B company trades 8.4X earnings, 3.11X sales, and 0.94X book with strong FCF expected in the 2H of the year and limited debt. PE sees 51.7% and 11.4% EPS growth over the next two years up to \$2.45 from \$1.45. Revenues are expected to grow 22.2% and 15.1% respectively. PE has one of the best asset bases in the Permian basin while executing well on an action plan to drive self-funded growth improve capital efficiency. They are exploring strategic alternatives for their water infrastructure investments as well. Analysts have an average target for shares of \$31 with 25 buy ratings and 3 hold ratings. Evercore with a \$27 PT in May positive on their scale among the Permian pure plays after the market de-rating on the basin names amid concern over scale and the ability to "pivot to a more ratable growth" with free cash flow model. Wolfe upgrading to Outperform in April citing their mix of growth, top-tier margins, strong balance sheet, and asset base. Short interest is 3.5% and down from around 8% in early 2018. Hedge Fund ownership rose 19.2% last quarter. Adage Capital, Luminus Management, Zimmer Partners, and Discovery Capital all notable holders. In May, Pioneer Natural (PXD) CEO Scott Sheffield noted that Parsley, among others, was one of the best targets in the basins after the CVX/APC deal. On 6-14, Parsley's CEO Matt Gallagher said it was an attractive target for any purchaser. He declined to comment whether they had been approached but noted, "We are in a small handful of companies that have some of the best rock and a healthy business model and a very long runway of inventories."

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AIR	AAR Corp	\$0.64	\$0.62	\$562.70	\$529.49	18.80%	FY Below
BBBY	Bed Bath & Beyond	\$0.12	\$0.08	\$2,572.99	\$2,580.51	-6.60%	FY Light
PSMT	PriceSmart	\$0.46	\$0.50	\$788.56	\$792.96	0.80%	
YRD	Yirendai	\$0.59	\$0.32	\$295.09	\$238.51	18.20%	
DAL	Delta Air Lines	\$2.35	\$2.28	\$12,536.00	\$12,487.06	6.50%	FY In Line
FAST	Fastenal	\$0.36	\$0.37	\$1,368.40	\$1,379.98	7.90%	

BBBY – Beat on EPS but Missed on Revenues, FY Light - "Bed Bath & Beyond is an iconic brand with tremendous opportunity and we recognize that there needs to be a fundamental change in our approach to executing the company's business transformation. We have set four key near-term priorities that include stabilizing and driving top-line growth; resetting the cost structure; reviewing and optimizing the company's asset base, including our portfolio of retail banners; and refining our organization structure. The Board and management team are aligned on these priorities, and we are committed to completing a deep review of the business to prioritize and drive forward the most meaningful initiatives to improve performance. As we execute against these near-term priorities, our focus will remain on delighting our customers and delivering long-term value for our shareholders."

Insider Spotlight

Sinclair Broadcasting (SBGI) with a notable insider buy yesterday from Executive Chairman David Smith of 395,000 shares at \$55.10, a \$21.7M buy. Smith last bought stock in March, a \$36,000 purchase but has bought multiple times since early 2017 from \$29.59 to \$36.77. Smith has been the Chairman of the Board since 1990 and was the CEO from 1988 to 2017 and was 'instrumental' in the formation of Sinclair in the mid-1980s. SBGI shares have been strong in 2019, up 117%, and up 71% over the last twelve months to new all-time highs. Shares are consolidating in a narrow range above \$50 and under the May peak at \$65. On 5-6, SBGI jumped 35% after reaching a deal to acquire Disney's regional sports networks for \$10.6B. The company will put \$1.4B of cash into the transaction and then fund the remainder with \$8.2B in debt. The deal is subject to DOJ approval but would be an attractive asset to add to their lineup of TV stations and highly accretive to FCF. SBGI sees the sports networks adding significant revenue streams, diversity in content, and a growing edge in live viewing. SBGI also sees a significant opportunity from legalized sports betting and their RSNs will be highly in-demand. The networks have 74M subscribers and generate \$3.8B, according to Bloomberg. This includes rights to more than 40 MLB, NBA, and NHL teams. Byron Allen will also invest in the business. Shares trade 11.5X earnings, 1.67X sales, and 11.3X FCF with a 1.4% yield. SBGI will earning over \$5/share in FY20, up 107.6%, while revenues will be up 14.2% to \$3.5B. Analysts have an average target for shares of \$48.50. B Riley with a \$57 PT on 5-6. The RSN deal looks like a Home Run given that Sinclair paid slightly below 6x AEBITDA for the portfolio and should be able produce meaningful cost and revenue synergies by pairing these RSNs with its existing TV stations and networks, the free cash flow accretion from this deal looks too attractive to ignore. Short interest is 4.1%. Hedge Fund ownership fell 1.15%. Baupost, Raging Capital, and Beach Point all notable holders. On 7-2, Bloomberg reported that AT&T was mulling a sale of their regional sports networks in Houston, Pittsburgh, and Seattle for \$1B and Sinclair a potential bidder. In the options, SBGI has been notably bullish with accumulation of the January 2021 \$90 calls over 3,500X.