

**TOP STORIES**

- Futures Rise After Powell Signals Path to Rate Cut this Month
- Chinese Exports, Imports Both Fall Due to US Trade War Tariffs in June
- Singapore Slumps as GDP Falls in Q2
- Tropical Storm Barry May Become Hurricane Tonight Ahead of Landfall in Louisiana
- Trump Criticizes Bitcoin, Facebook's Libra

**INDEX FUTURES**

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3010.5 (6.5)</b>	<b>6.99</b>
<b>Nasdaq</b>	<b>7938.5 (19.75)</b>	<b>19.72</b>
<b>Dow</b>	<b>27162 (85)</b>	<b>81.92</b>

**GLOBAL INDICES**

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7525.83</b>	<b>0.21%</b>
<b>DAX</b>	<b>12344.69</b>	<b>0.10%</b>
<b>Nikkei</b>	<b>21685.9</b>	<b>0.20%</b>
<b>Hang Seng</b>	<b>28471.62</b>	<b>0.14%</b>

**ECONOMIC CALENDAR**

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>PPI-FD</b>	<b>1.7%</b>

**FOREX**

<b>EUR/USD</b>	<b>1.1258 (0.05%)</b>
<b>USD/JPY</b>	<b>108.3 (-0.17%)</b>
<b>USD/CAD</b>	<b>1.3028 (-0.34%)</b>
<b>GBP/USD</b>	<b>1.253 (0.09%)</b>
<b>USD</b>	<b>96.60 (-0.07%)</b>

**COMMODITY**

<b>Oil</b>	<b>60.34 (0.23%)</b>
<b>Natural Gas</b>	<b>2.413 (-0.12%)</b>
<b>Gold</b>	<b>1409.4 (0.19%)</b>
<b>Copper</b>	<b>2.699 (0.43%)</b>

**VOLATILITY INDICES**

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>12.93 (-0.77%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>16.64 (1.28%)</b>
<b>Oil</b>	<b>OVX</b>	<b>29.86 (-2.93%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>13.64 (-9.13%)</b>

**MARKET OUTLOOK**

Futures are indicating a higher open to close the week after Jerome Powell's testimony in Washington all but guaranteed a rate cut this month. Two Fed governors were out overnight pushing back on the idea noting that there's no need for stimulus at the present time. Neither Bostic nor Barkin are voting members. We saw more evidence of a slowdown globally overnight with Singapore's GDP unexpectedly dropping in Q2 by 3.4%, the most since 2012. OPEC and allies agreed to extend cuts into 2020 already but IEA is out saying they may need to deepen cuts even more as the market returns to surplus. A drop in global demand is adding risk of a glut in the future. Tropical Storm Barry is on the way and may become a Hurricane later tonight. Refiners at risk with 20% of capacity in Louisiana.

Asian markets closed the week in the green despite a slew of weak data this morning. Singapore GDP fell 3.4% Q/Q in Q2, much worse than the 0.1% gain expected. South Korean exports fell 2.5% which was worse than estimated. China loan growth slowed to 13% vs 13.4% forecast. China Imports were down 7.3%, worse than the 4.5% drop expected. Japan industrial production slowed to 2% growth in May. Currency exchange **Remixpoint** fell 19% after a data leak. **Fast Retailing** rose 3.2% after earnings. **Yaskawa Electric** fell 3.9% after earnings, weak from China exposure. C-store **Lawson** rose 4.6% after earnings.

European markets are edging higher this morning despite a weak open with the FTSE leading. Financial and mining stocks are leading the gains. **Daimler** fell 1% after the automaker warned on Q2. German WPI slowed in June to 0.3% vs 1.3%. Eurozone industrial production fell 0.5%, better than the 1.6% drop forecast.

**Snap (SNAP)** in focus today with Goldman upgrading to Buy, \$18 PT. The firm thinks the launch of Snap Games and new viral lenses should accelerator user growth

**S&P TECHNICALS**

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



3262 Advancing	Declining 3915
42.5%	51.0%
389 New High	New Low 110
78.0%	22.0%
4917 Above SMA50	Below 2672
64.8%	35.2%
4514 Above SMA200	Below 3075
59.5%	40.5%

**KEY EVENTS TO WATCH**

**Economic Data on Monday:** Empire State Mfg, John Williams Speaks, Bill Auctions

**Earnings Monday BMO:** C, OGI; **Earnings Monday AMC:** JBHT, WTRF;

**ANALYST ACTION/COMMENTS**

**Altria (MO)** upgraded to Buy at Goldman

**Focus Financial (FOCS)** upgraded to Outperform at Keefe Bruyette

**Deutsche Bank (DB)** upgraded to Neutral at UBS

**Sally Beauty (SBH)** upgraded to Hold at Jefferies

**Qiagen (QGEN)** upgraded to Outperform at BNP Paribas

**BHP Group (BHP)** upgraded to Neutral at JP Morgan

**Lincoln Electric (LECO)** upgraded to Buy at Baird

**Morgan Stanley (MS)** upgraded to Buy at Citi

**Replimune (REPL)** upgraded to Overweight at JP Morgan

**Snap (SNAP)** upgraded to Buy at Goldman

**Stitch Fix (SFIX)** upgraded to Buy at Goldman

**Schwab (SCHW)** downgraded to Hold at Keefe Bruyette

**Himax (HIMX)** downgraded to Neutral at Roth

**Instructure (INST)** cut to Neutral at Raymond James

**Healthcare Services (HCSG)** cut to Hold at Jefferies

Citi downgrades **MTB, CMA, NTRS** to Sell; downgrades **FITB, CFG, WFC** to Neutral

**Air Products (APD)** downgraded to Neutral at Seaport

**Illumina (ILMN)** downgraded to Sell at BAML

**Berry Global (BERY)** downgraded to Neutral at BAML

**Boise Cascade (BCC)** downgraded to Sell at BAML

**Sonoco (SON)** downgraded to Sell at BAML

**Chemours (CC)** downgraded to Neutral at Citi

**Slack (WORK), Zoom (ZM)** initiated Buy at Stephens

**Live Person (LPSN)** initiated Overweight at Keybank

**J&J (JNJ)** initiated Outperform at CSFB

**MEDIA HIGHLIGHTS**

**Boeing (BA)** overhauls management of 737 MAX - Reuters

**Facebook (FB)** inks deal with **Ubisoft** over VR games - Information

**Anadarko (APC)** investors to vote next month on Occidental transaction - Reuters

**Volkswagen** to invest in **Ford Motor (F)**-backed Argo AI at \$7B valuation - Bloomberg

Korea DRAM suppliers show no sign of cutting production (**MU, STX, WDC**) – Digitimes

For Big Banks, Lower Rates Could Mean the End of Profit Blowouts – Bloomberg

Rubio Calls for Delay of Defense Department's \$10 Billion Cloud Bid (**AMZN, MSFT**) – Bloomberg

Fosun considers \$940M rescue for **Thomas Cook** – Nikkei

**Campbell (CPB)** to sell Kelsen snacks unit to Ferrero for \$300M - Reuters

**AB INBev (BUD)** may postpone Asian IPO after struggling to price unit and lack of demand – Bloomberg

**STOCK SPECIFIC NEWS OF NOTE**

**Alaska Air (ALK)** reports combined June traffic up 1.7%

**Invitae (NVTA)** to acquire Jungla for approximately \$50M

**Cadiz (CDZI)** says SB 307 will make water infrastructure solutions 'tougher to achieve'

**Colgate-Palmolive (CL)** buys Laboratoires Filorga Cosmetiques skin care unit for \$1.7B

**Amgen (AMGN), Novartis (NVS)** to discontinue two CNP520 studies in Alzheimer's program

Global PC shipments grew 1.5% in Q2, Gartner

**Avianca (AVH)** has met with 'various strategic partners'

**Spirit Airlines (SPR)** guides Q2 revenue up 19%

**Allegiant (ALGT)** reports total system June RPM up 12.9%

**WPP** to sell 60% stake in Kantar to Bain Capital

**Daimler AG** says Q2 Group EBIT 'significantly below market expectations'

**Aflac (AFL)** acquires Argus Holdings

**Illumina (ILMN)** Cuts Q2 Outlook

**Emcore (EMKR)** Cuts Q3 Outlook

**PRE-MARKET MOVERS**

**Moving Higher:** HOOK 24%, SNAP 3.6%, INFY 3.5%

**Moving Lower:** ILMN -15.5%, BUD -1.5%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** GIII

**Selling:** WU, VEEV, CSOD, HSY, KR, MORN, FICO, ELF, GHDX, PANW, CLGX, GRMN, NEOG, SGEN

**POTENTIAL SYMPATHY TRADES**

CTSH, WIT – on INFY earnings

**OPTION HIGHLIGHTS (Prior Day)**

Marathon Petroleum (MPC) more bullish flow today as 1,725 January \$55 calls are bought for \$4.95 and also seeing 1,000 January \$57.50 calls bought this afternoon between \$3.75 and \$4.05. MPC is also seeing over 970 January 2021 \$52.50 calls bought to open up to \$9.65. MPC has sizable open interest in the calls including 19,000 October \$57.50 calls, over 8,000 October \$55 calls, and 32,000 January \$60 calls. The August \$55 calls also with over 5,000 from recent buys. Shares are forming a small bull flag under \$57/\$58 and a long downtrend from the October highs. A move higher targets a VPOC at \$65 and then up to a gap around \$75. The \$37B company trades 6.86X earnings, 0.35X sales, and 13.38X FCF with a 3.86% yield and 7-8% EPS growth. MPC sees nearly 8% revenue growth next year. MPC has a potential catalyst near-term from decisions on 2018 biofuel waivers which the President has reportedly intervened on recently. MPC is coming off a weak quarter but announced a merger of its MPLX and Andeavor midstream units which is expected to unlock around \$2B in value. Analysts have an average target for shares of \$85. Goldman positive on 6-6 citing their FCF generation. They think MPC has largely worked through inventory problems in Q1 and the 2H should be more positive. BAML positive on 4-29 noting that the company is now trading below mid-cycle valuations and he believes the worst has passed for the group as a whole. Short interest is 2.2%, up from around 1.2% recently. Hedge Fund ownership was modestly higher last quarter. Viking Global is a top holder with 13.7M shares while AQR, Wexford, and Adage Capital all sizable stakes. Third Point with a new 3.5M share position last quarter and intriguing given pushes back in 2017 and 2018 for the company to spin off their Speedway business. MPC has seen a lot of insider buying over the last year with a Director picking up \$600k in stock on 6-11 at \$48.14 and the President of Refining buying \$253k on 5-15 at \$50.74.

**AFTER HOURS MOVERS**

**Gainers:** HOOK 40%, PBR 4%, TELL 3.2%

**Losers:** ILMN -16%, NVTA -6%, IIPR -4%, SAVE -3%

**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**

**Innovative Industrial (IIPR)** issuing 1.25M secondary at \$126-\$130 price range

# 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>
Callon Petrol (CPE)	Viewray (VRAY)	Retrophin (RTRX)
Avis Budget (CAR)	Gardner Denver (GDI)	JC Penney (JCP)
Ally Financial (ALLY)	Realogy (RLGY)	Weight Watchers (WW)
Evolent (EVH)	LG Display (LPL)	Eros (EROS)
Infosys (INFY)	Zebra Tech (ZBRA)	Omnicell (OMCL)
DMC Global (BOOM)	Lamb Weston (LW)	Symantec (SYMC)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Sunesis (SNSS)	LG Display (LPL)	Bed Bath (BBBY)
Wyndham (WH)	Century Casinos (CNTY)	Air (AAR)
Santander (SAN)	Xylem (XYL)	Fastenal (FAST)
Hilton Grand (HGV)	Cadiz (CDZI)	Endo (ENDP)
Summit Materials (SUM)	Sanofi (SNY)	Citrix (CTXS)
Boston Sci (BSX)	Realogy (RLGY)	Noah Holdings (NOAH)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Qurate (QRTEA)	O Reilly (ORLY)	Deciphera (DCPH)
Glu Mobile (GLUU)	TAL Education (TAL)	Intra-Cellular (ITCI)
Gamestop (GME)	Carvana (CVNA)	GlycoMimetics (GLYC)
SeaWorld (SEAS)	Sprint (S)	Overstock (OSTK)
Callon (CPE)	Pinduoduo (PDD)	Zynerba (ZYNE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Bank of America (BAC)	Sprint (S)	Viewray (VRAY)
Callon (CPE)	Merck (MRK)	Gardner Denver (GDI)
AbbVie (ABBV)	Pfizer (PFE)	Realogy (RLGY)
Microsoft (MSFT)	Snap (SNAP)	Infosys (INFY)
Nvidia (NVDA)	Amazon (AMZN)	DMC Global (BOOM)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Nutanix (NTNX)	Realogy (RLGY)	FXI, 10,000 December \$41 straddles sold
Intel (INTC)	TE Connectivity (TEL)	CROX, September \$21/\$24 call spread 800X1600
Marathon (MPC)	Bausch Health (BHC)	WYNN, August \$130/\$145 call spread bought 2,000X4,000
Micron (MU)	Zebra (ZBRA)	EVH, August \$7.50/\$10 call spread bought 3,800X
American Axle (AXL)	Chemours (CC)	DUK, 5,000 August \$90/\$85 bull risk reversals

## Stock Specific News

After Fed Euphoria, Weak Earnings Could Bring Down the Mood – WSJ

**Hillenbrand (HI)** to acquire **Milacron (MCRN)** in cash, stock transaction valued at about \$2B

**Postmates** is working with Qatalyst to explore a sale – Vox

**Bosch** has agreed to sell its packaging machinery business to CVC – Reuters

**BRF SA (BRFS), Marfrig Global** end merger talks – Reuters

## Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
INFY	Infosys	\$8.83	\$8.50	\$218030	\$216509.05	14%	

## Extras

**Cimarex (XEC)** late buy of 2000 August \$60/\$65 OTM call spreads for \$0.70

**Enphase Energy (ENPH)** late day buyers of 850 January 2021 \$25 calls for \$4.20 to \$4.30

**Globant (GLOB)** late day buys of 200 November \$115 calls from \$7.50 to \$7.90, strong trend

**Apollo (APO)** buyer of 3000 Aug. 23<sup>rd</sup> (W) \$34 puts to open \$0.85

**Omnucom (OMC)** buyer of 1,170 October \$80 puts to open \$2.30 offer

**Expedia (EXPE)** block of 1500 January \$130 puts opens late for \$8.05

**Wynn Resorts (WYNN)** buyers yesterday of the August \$130/\$145 call spread 2,000X4,000 for \$3.68 net debit and follows a buyer of \$4.2M in December \$130 calls on 7-10. The December \$135 calls, June 2020 \$175 Calls, and September \$155 calls all active with buyers recently. Shares gapped higher on 7-1 after positive Macau data and now consolidating in a narrow range and back the 8- and 13-EMA this week. A move above \$135 targets the April highs around \$150. Longer-term, WYNN has been working nicely out of a more than 1-year downtrend with a measured target above of \$190. The \$14B company trades 16.35X earnings and 2X sales. WYNN sees 28% and 13.5% EPS growth over the next two years. Sales growth is 10.4% and 4.1%. WYNN is benefitting from better mass gaming figures in Macau as well as higher visitor levels from the mainland due to governmental initiatives. WYNN is planning a \$2B expansion of their property which will help attract more non-gaming visitors. They held an analyst day this week and targeting long-term revenue growth of 21% and 28% growth in EBITDA. They are also optimistic about the recent opening of Wynn Boston. Analysts have an average target for shares of \$147.50. Jefferies raising their PT to \$165 on 7-11. The firm thinks their analyst day addressed key questions regarding the boundaries for capital allocation, and suggest that further acquisitions and new significant projects are unlikely. Stifel has a \$157 PT for shares. They think the company's shift in its marketing focus to capture a greater share of the mass gaming market appears to be working. Short interest is 4.3% and down from around 7.5% in late 2018. Hedge Fund ownership fell 10%. Lone Pine,

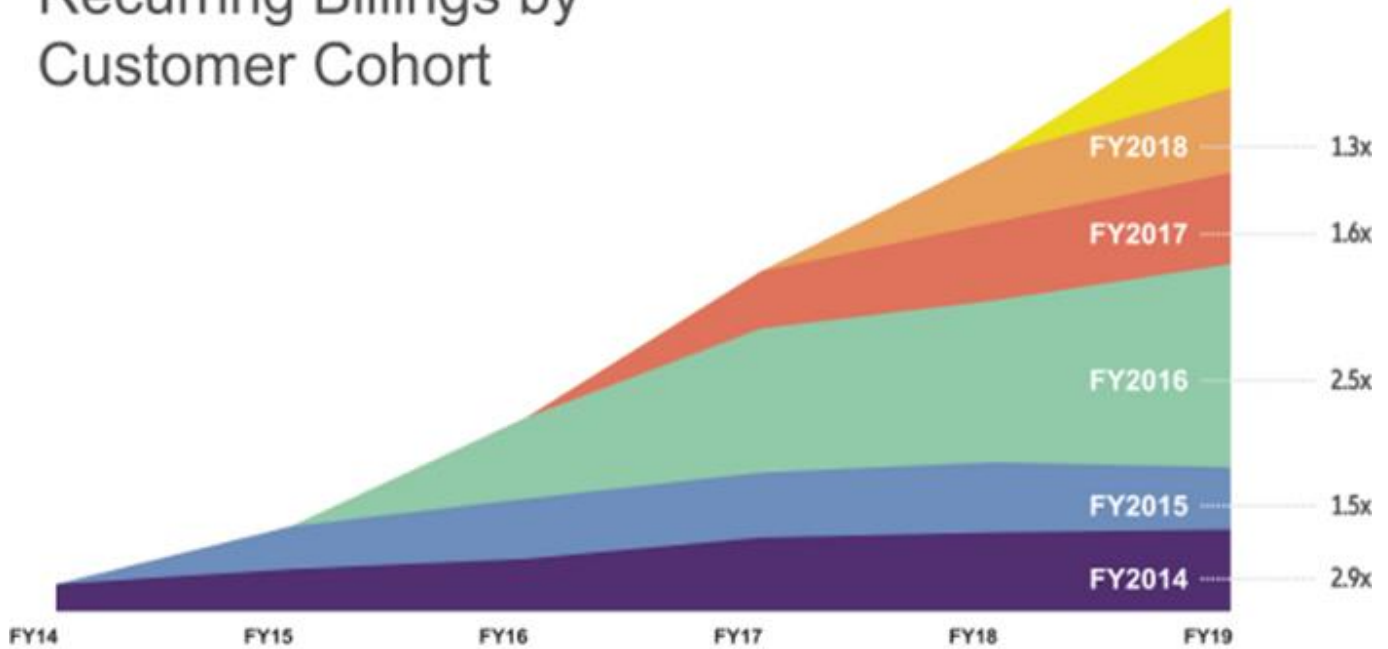
OZ Management, Melvin Capital, Maverick Capital, and Laurion Capital all notable concentrated holders. In November, a director bought \$1M in stock at \$103.

**Cyber-Ark (CYBR)** with 1,000 August \$130 calls bought yesterday around \$8 and follows buyers in the August \$140 calls on 7-10. CYBR has seen buyers in May in the October \$125 calls while the October \$125 puts sold 700X to open. Shares have traded in a narrow range under \$140 since April and forming a big volume node at \$126.75. A breakout targets the continuation of the early year run with upside to \$160 and then \$180 long-term. The \$4.94B company trades 10.59X cash and 12X EV/sales. CYBR sees 17.5% and 19.4% EPS growth with 18.8% and 19.2% revenue growth. CYBR is coming off a strong quarter with licensing revenue up 33%. CYBR is a leader in Privileged Account Security which helps add an extra layer of security to a multi-faceted system which stretches across cloud, IoT, devops, and others. Analysts have an average target for shares of \$111 with 17 buy ratings and 3 hold. Berenberg starting at Buy on 5-31 with a \$155 PT. The firm thinks topline growth will be supported by adoption of cloud and modern application and development architectures "exponentially increasing" the number of privileged credentials that must be secured and managed by enterprises. FBN with an Outperform rating and \$130 PT. They note that the PAM market is expected to grow 20% over the next few years. Short interest is 3.4% and up from around 1% in April. Institutional ownership fell 17%. RGM Capital, Hitchwood, and Axiom are notable holders.

### IPO Focus

**Medallia (MDLA)** is expected to IPO next week pricing 14.5M shares at \$16-\$18, raising around \$250M. The company provides on-demand software for assisting businesses survey customers and employees to improve operations. Their SaaS platform acts as an aggregator for customer interactions and using AI/analytics can help businesses determine trends which can boost average ticket, time spent in store, identify risk, predict behavior and more. They have four different experiences modules: Customer, Business, Employee, and Product. MDLA feels that customer experience is the largest potential group where they can help companies build out loyalty programs and reduce churn. They also have add-on products across social data and text analytics. They call all of these interactions Experience Signals and see a significant lapse in understanding from most businesses in capturing and analyzing what they all mean. MDLA sees their software giving businesses in the moment opportunities to cross sell and upsell. MDLA has shown that 73% of consumers say that customer experience matters in how they buy and they count top hospitality, communications, and financial institutions as customers. The company analyzes 4.9B experiences annually.

# Recurring Billings by Customer Cohort



MDLA is focusing sales efforts on more mid- and large-sized enterprises. They are also targeting International with just 25% of their total sales outside the US right now. Dollar-based net revenue retention was 119% over the last year. Revenue growth was up 20% over the last year, slightly slowing, while their losses are narrowing. Gross margins are expanding from 63.3% to 65.18%. They have 565 total customers with the top 10 comprising 25% of total revenues. MDLA feels the TAM for experience management is \$68B across all four channels and growing. The company's primary competitor is Qualtrics which was acquired by SAP for \$8B in cash last year. SurveyMonkey (SVMK) is also in a similar field.