

TOP STORIES

- China's Economy Slows to Three-Decade Low, More Stimulus Seen
- German Economic Minister Warns on Sluggish Industrial, Services Growth
- Report: Trump Considering Firing Commerce Sec. Wilbur Ross
- Amazon Prime Day Kicks Off, Expected to Take \$5.8B Worldwide

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3020.25 (4.75)	2.83
Nasdaq	7969.75 (9.75)	4.51
Dow	27356 (47)	32.97

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7517.41	0.15%
DAX	12353.07	0.24%
Nikkei	Closed - Holiday	
Hang Seng	28554.88	0.29%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Empire State Mfg.	
8:40	John Williams Speaks	

FOREX

EUR/USD	1.1274 (0.04%)
USD/JPY	107.89 (-0.01%)
USD/CAD	1.3029 (-0.01%)
GBP/USD	1.2547 (-0.21%)
USD	96.43 (0.01%)

COMMODITY

Oil	60.48 (0.45%)
Natural Gas	2.415 (-1.55%)
Gold	1416.8 (0.33%)
Copper	2.7185 (0.91%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.39 (-4.18%)
Nasdaq	VXN	16.25 (-2.34%)
Oil	OVX	30.39 (1.77%)
Gold	GVZ	14.65 (7.40%)

MARKET OUTLOOK

Futures are indicating a higher open to kick off the week after encouraging data out of China. An upturn in retail sales and industrial production is giving some confidence that stimulus efforts are trickling down throughout the system as they continue to negotiate a trade deal with the US. China set records in commodities production in June with a jump in coal, steel hitting all-time highs as producers grow more confident. Copper rose by around 1% as it nears a multi-week base breakout. Platinum up 1.3% as it broke recent highs. Crude is modestly higher. Elsewhere, China has hinted that it may sanction US companies **General Dynamics (GD)** and **Honeywell (HON)** if a \$2B US weapons sale to Taiwan goes through. More companies are considering moving production out of China amid tariffs, according to the WSJ.

Asian markets starting the week higher after a deluge of data from China. Japan is off today for Marine Day. China GDP slowed to 6.2% in Q2, as expected, while rising slightly Q/Q. Industrial production rose 6.3% which was better than expected. Retail sales jumped 9.8%, much better than the 8.5% gain forecast. Fixed asset investment rose 5.8% vs 5.6%. China's tech sector jumped after reports that licenses for **Huawei** will resume shortly.

European markets are muted this morning after Germany's warning on industrial activity. The Economic Ministry said that growth has been sluggish and also citing expected slowdowns in Services which had been strong. It was a quiet night for new data in the EU. Swiss PPI slowed in June by more than forecast. Chipmakers were strong with the Huawei licenses news. **Infineon**, **ASML**, and **ST Micro** all rising. **Galapagos** higher by 17% with the **Gilead (GILD)** deal. **AB In Bev** continues to fall after pulling their IPO.

Molson Coors (TAP) downgraded to Sell at BAML, down from Buy with a \$50 PT. The firm cites the heightened potential TAP will need to increase spending to stabilize core brands' market share and invest in premium and "beyond" beer segments.

S&P TECHNICALS

Levels: Support 3,000, 2985; Resistance 3,150/3225



4534 Advancing	Declining 2641
59.1%	34.4%
476 New High	New Low 101
82.5%	17.5%
5142 Above SMA50	Below 2447
67.8%	32.2%
4634 Above SMA200	Below 2955
61.1%	38.9%

KEY EVENTS TO WATCH**Earnings Monday AMC:** JBHT, WTFC**Tomorrow...** Retail Sales at 8:30 AM, Import/Export at 8:30, Industrial Production at 9:15, Business Inventories at 10:00, Housing Market at 10:00. **Earnings BMO:** CP, DPZ, FHN, FRC, GS, JNJ, JPM, PLD, WFC**ANALYST ACTION/COMMENTS****Brinker (EAT)** upgraded to Overweight at JP Morgan**Bruker (BRKR)** upgraded to Neutral at Goldman**Crocs (CROX)** upgraded to Overweight at Piper Jaffray**Deere (DE)** upgraded to Buy at BAML**Gilead Sciences (GILD)** upgraded to Outperform at Wells Fargo; PT \$88**Agilent (A)** downgraded to Equal Weight at Barclays**American Water (AWK)** downgraded to Sell at BAML**Boot Barn (BOOT)** downgraded to Neutral at Citigroup**Callon Petroleum (CPE)** downgraded to Hold at Jefferies**Carrizo Oil & Gas (CRZO)** downgraded to Hold at Jefferies**General Electric (GE)** downgraded to Neutral at UBS**Gulfport Energy (GPOR)** downgraded to Hold at Jefferies**Hilton (HLT)** downgraded to Neutral at Longbow**Int'l Paper (IP)** downgraded to Underweight at KeyBanc**L Brands (LB)** downgraded to Neutral at Citigroup**Marriott (MAR)** downgraded to Neutral at Longbow**Mettler-Toledo (MTD)** cut to Underweight at Barclays**Omnicom (OMC)** downgraded to Market Perform at BMO**Packaging Corp (PKG)** cut to Underweight at KeyBanc**Parker-Hannifin (PH)** cut to Sector Weight at KeyBanc**Quest Diagnostics (DGX)** downgraded to Sell at Goldman**SBA Comm (SBAC)** downgraded to Neutral at BAML**Sealed Air (SEE)** downgraded to Underweight at KeyBanc**Tiffany & Co (TIF)** downgraded to Neutral at Citigroup**WestRock (WRK)** downgraded to Underweight at KeyBanc**Slack (WORK)** started Buy at Barclays, \$45 PT**MEDIA HIGHLIGHTS**Officials seek answers after blackout in NY (**ED**) – Reuters**Boeing (BA)** 737 Max grounding may last into 2020 – WSJ**BNP Paribas** backing away from U.S. private prison industry (**CXW, GEO**) – ReutersTrump administration freezes fuel efficiency penalties (**TM, GM, F, FCAU**) – ReutersU.S. companies may get nod to restart **Huawei** sales in 2-4 weeks – ReutersBarron's positive **LLY, MS, KEM, NOC, VSAT, EXPE, HI, EVR, JEF, PJC, LAZ**; cautious **LII****Barneys** is considering potential bankruptcy filing following NYC rent increase – CNBCSenator Chuck Schumer wants **Grubhub (GRUB)** to absorb false fees. NY PostHouse aims to ban large tech from developing digital currencies or financial services (**FB, PYPL**). ReutersMore corporations are planning to move production out of China amid tariffs (**GPRO, AAPL, YETI, CROX**). WSJ**Hilton (HLT)** to open eleven luxury resorts this year - WSJAluminum production in China has hit a record in June (**AA, KALU**) – Reuters**SnapChat (SNAP)** to unveil more original shows. Mashable**Foxconn** likely to rely on new acquisitions to build semiconductor ecosystem – Digitimes**STOCK SPECIFIC NEWS OF NOTE**Trump says challenges facing U.S. uranium mining a national security issue (**CCJ, UEC, UUUU, DUK**)**Gilead (GILD), Galapagos NV (GLPG)** enter into 10-year research, development collaboration; **GLPG** will receive \$3.95B upfront payment and \$1.1B equity investment from **GILD****Ardagh (ARD)** to combine Food & Specialty Metal Packaging unit with Exal**Crane (CR)** will not extend offer to acquire **Circor (CIR)****Nice (NICE)** expands collaboration with Microsoft**Thor Industries (THO)** executive chairman Peter Orthwein to step down**Callon Petroleum (CPE)** to acquire **Carrizo (CRZO)** in all stock deal valued at \$3.2B

PRE-MARKET MOVERS**Moving Higher:** GLPG 15%**Moving Lower:** OGI -11%, TEVA -5%**INSIDER TRADING (Form 4 Filings)****Buying:** HY**Selling:** PHM, CVNA, AMZN, SWKS, PI, TNDM, PFPT, SKY, INSG, NEM, ALGT, ICE, FDX**POTENTIAL SYMPATHY TRADES****SM, CXO, PDCE, PE, MTDR, LPI** – on CRZO/CPE deal**OPTION HIGHLIGHTS (Prior Day)**

Capital One (COF) buyer of 2,500 September \$95/\$85 bull risk reversals today for a small debit and follows buyers of the July \$90 calls over 2500X recently. COF also has seen sellers of the September \$80 puts over 1000X and buyers in the September \$87.50 and \$97.50 calls. COF also has 1500 September \$90 puts in OI from 5-10. Shares have been consolidating in a narrow range since earnings in April, a big gap higher, and move over \$93 has a measured target out to \$100. COF shares are set to clear a long downtrend from the October 2018 highs as well. The \$42.58B company trades 7.5X earnings, 0.87X book and 2.88X FCF with a 1.78% yield. COF sees 7.3% and 8.5% EPS growth over the next two years with revenues around 5% annually. COF is coming off a strong quarter with better NII and CET1 improvement. The company is undergoing a big digital transition with some big long-term goals as they unveiled a cloud strategy and development of next-gen application development in 2015/2016. COF recently raised their buyback to \$2.2B after stress tests. Analysts have an average target for shares of \$105 with 11 buy ratings, 7 hold, and 1 sell. Citi sees upside to long-term estimates as they undergo a massive all-in tech strategy and digital transformation which will be a key differentiator for them vs peers. COF is best positioned to deliver a set of capabilities with speed, efficiency and with the innovation required to keep up with a digital age. Jefferies upgrading to Buy in May with a \$115 PT. They think the digital bank initiative will enable operating efficiencies that should provide a platform for earnings growth. They will also benefit from improving efficiencies. Short interest is 1%. Hedge Fund ownership fell 3.2%. Harris Associates a top holder with 8.3M shares while Basswood Capital also concentrated holders. COF reports on 7-18 and higher two of the last three.

AFTER HOURS MOVERS**Gainers****Losers:****MARKET SENTIMENT / INTERNALS**

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.649	Moving Lower – Positive
CBOE Index Put/Call Ratio	1.15	Neutral
CBOE Skew Index	123.65	Rising
VIX Curve	Contango	Normal
CNN Fear & Greed Index	64	Greed
NYMO	18.96	Neutral
NYSE New Highs	476	Strong
McClellan Summation	781.93	Above 8-EMA
Univ. of Michigan Consumer Sentiment	98.2 (June Final)	Flat Y/Y

SMART MONEY (13g/13d Filings)Icahn exercises rights, reports 28.84% stake in **Hertz (HTZ)****IPO MONITOR****Afya (AFYA)** issuing 13.7M shares at \$16-\$18; Medical education company based in Brazil**Health Catalyst (HCAT)** issuing 6M shares at \$20-\$23; Provider of data and analytics technology to healthcare organizations**Medallia (MDLA)** issuing 14.5M shares at \$16-\$18; Developer of enterprise software that captures experience data from signal fields emitted by customers and employees**Sunnova Energy (NOVA)** issuing 17.7M shares at \$16-\$18; Residential solar and energy storage service provider**Phreesia (PHR)** issuing 7.8M shares at \$15-\$17; Developer of technology platform that enables healthcare providers to optimize efficiency and profitability**SECONDARY MONITOR**

TRADE

WEEKLY TECHNICAL BREAKOUT

CB:



Chubb (CB) shares are consolidating in a narrow bull flag under \$152 and above the 21-day MA. A move higher target \$160 while the longer-term range breakout has a target of \$185. MACD is nearing a bull flag and RSI is in a healthy trend above 50.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Darden (DRI)

Price: \$124.75

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: DRI is a \$15.4B company which trades 18X earnings and 1.8X sales with standout comps across their brands of restaurants Olive Garden and Longhorn. DRI has better margins than peers and using data/AI to help build better customer loyalty and insights. DRI has a strong cash position and could be a logical buyer in the market to expand their portfolio.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

TAP:



Molson Coors (TAP) shares are consolidating in a multi-week bear flag above \$53.25. A breakout targets \$48 while longer-term a big 10-point range lower. MACD had a bearish crossover on Friday and RSI is back under 40, weakening trend.

PAIR TRADE OF THE WEEK

Industry: Coffee

Long/Short: Long Luckin Coffee (LK), Short Dunkin Brands (DNKN)

Analysis: LK is an exciting, emerging brand in China where coffee is growing in popularity and the company set to take advantage with their low-cost, technology-driven, high traffic model. DNKN trades at a premium value despite slowing traffic and SSS.

SMALL CAP TRADE OF THE WEEK

Callaway (ELY) is a \$1.7B maker of golf clubs and accessories. Shares trade at 15.4X earnings, 1.26X sales, and 21.5X cash with a small yield and double-digit growth. They have a large stake in TopGolf, a massively popular new recreational concept which may seek an IPO this year. In January, the company bought Jack Wolfskin, a premium apparel brand in the EU, which expands their push into active lifestyle products.

DAILY OPTIONS REPORT

Unusual Call Activity

Uranium Energy (UEC)
 Cameco (CCJ)
 Groupon (GRPN)
 Berry Global (BERY)
 Magna Int'l (MGA)
 RadNet (RDNT)

Unusual Put Activity

Noah Holdings (NOAH)
 SLM Corp (SLM)
 Illumina (ILMN)
 Magna (MGA)
 Domtar (UFS)
 Allakos (ALLK)

Implied Volatility Riser

Kodak (KODK)
 Roku (ROKU)
 Cronos (CRON)
 Tenneco (TEN)
 GlycoMimetics (GLYC)
 Luckin (LK)

Lowest Put/Call Ratio

Kodak (KODK)
 MannKind (MNKD)
 Total System (TSS)
 Coeur Mining (CDE)
 Citrix (CTXS)
 Bloom Energy (BE)

Highest Put/Call Ratio

National Fuel (NFG)
 Crown (CCK)
 Deciphera DCPH)
 Graftech (EAF)
 GATX
 Live Oak (LOB)

Implied Volatility Decliner

Cadiz (CDZI)
 Weight Watchers (WW)
 Tower (TOWR)
 Yelp (YELP)
 Chewy (CHWY)
 Overstock (OSTK)

OTM Calls on Offer

Pentair (PNR)
 HD Supply (HDS)
 Chico's (CHS)
 Accenture (ACN)
 Aphria (APHA)

OTM Puts on Offer

Zillow (Z)
 Viacom (VIAB)
 Tiffany (TIF)
 Nike (NKE)
 Pinterest (PINS)

Elevated IV30

Deciphera (DCPH)
 Intra-Cellular (ITCI)
 GlycoMimetics (GLYC)
 Overstock (OSTK)
 Zynerba (ZYNE)

Positive Net Delta

Micron (MU)
 Facebook (FB)
 Bank of America (BAC)
 Gold (GLD)
 Lyft (LYFT)

Negative Net Delta

Merck (MRK)
 J&J (JNJ)
 Canopy Growth (CGC)
 National Oilwell (NOV)
 Snap (SNAP)

Option Volume Gainers (%)

Noah Holdings (NOAH)
 SLM Corp (SLM)
 Illumina (ILMN)
 Magna Int'l (MGA)
 RadNet (RDNT)

Bullish Call Flow

Juniper (JNPR)
 Capital One COF)
 Silicon Labs (SLAB)
 Delta (DAL)
 Magna (MGA)

Bearish Put Flow

Carbon Black (CBLK)
 Wix.com (WIX)
 Micron (MU)
 Stitch Fix (SFIX)
 Levis (LEVI)

Large Spread Trades

COF, 2,500 September \$95/\$85
 bull risk reversals
 SPY, Aug9th (W) \$285/\$270/\$250
 put butterfly 20,000X40,000
 CMG, September Iron Condors
 opening 200X
 LK, 2,500 August \$20/\$25 call
 spreads
 ZION, 1,000 August \$48/\$42 bull
 risk reversals

Stock Specific News

AB InBev (BUD) Seeks Plan B After Investors Bail on Asian IPO – Bloomberg

US consumer debt surges to record highs – NY Post

AstraZeneca's (AZN) Farxiga fails to get U.S. approval for Type-1 diabetes – Reuters

Restaurants Strike Back in Food-Delivery War (**GRUB, UBER**) – WSJ

Vietnam Seeks to Sell Stake in **Military Commercial Bank** – WSJ

China Ministry of Education announces new regulations on off-campus online training (**EDU, TAL**)

Broadcom (AVGO) lines up \$23B financing for **Symantec (SYMC)** – Dealreporter

Alliance Data (ADS) reports June net charge offs 5.8% vs. 6.3%

Extras

Amgen (AMGN) spread sells 4,100 July 26th (W) \$180 calls for \$1.30 and buys 2,686 August \$175/\$165 put spreads for \$3.40

Citigroup (C) IV rising late with 5,000 July \$72 calls and July \$73.50 calls bought

CSX Corp (CSX) late buyers of 1,000 September \$75 puts up to \$1.40 into earnings

GATX Corp (GATX) seller of 2,000 July \$75 puts for \$1 to open

Grub Hub (GRUB) opening sale of 500 December \$65 puts for \$4.60

Liberty Global (LBTYA) sellers of 2,000 December 2020 \$22.50 puts for \$2.05 to \$2.00

Zebra Tech (ZBRA) buyers of 2,800 July \$195 puts for \$1.65

Old Dominion (ODFL) buyers of 1,000 August \$140 puts for \$1.90 to \$2.05

Dropbox (DBX) has seen a lot of bullish flow recently as it nears a big weekly breakout and on Friday 1,500 August \$24 calls bought while the August \$28 calls bought over 18,000X on 7-10. Earlier in the week, the August \$27 calls bought 11,000X. DBX has some sizable July calls ITM which could also roll this week while bullish open interest sits in the October and January calls as well. Shares have formed a series of higher lows since December and nearing a base breakout on the weekly above \$26 which measures to a high-volume node from 2018 at \$31. The \$10.45B company trades 7X sales, 11.4X cash and 7.16X EV/sales. DBX is seeing 35% EPS growth and 14-15% sales growth with strong margins. DBX is executing well on growing their paid base of users while ARPU continues to grow. They're adding new products like DropBox Business, Paper, Showcase, and Smart Sync as well to build more cross-sell opportunities and increase conversion of registered users to paid. They see potential \$50B market in file collaboration, content collaboration, and productivity. Analysts have an average target for shares of

\$32.50. Deutsche Bank positive on 6-3 after the company raised prices. The firm believes the 20% price lift on a "popular product" improves Dropbox's average revenue per user outlook as it rolls into Dropbox financials through mid-2020. BAML upgrading to Buy earlier this year seeing ARPU improving suggesting Dropbox is executing on its up-sell strategy, and paying users showed stabilization. Short interest is 1.9%. Hedge Fund ownership rose 6%. Hunt Lane Capital, Spark Investment, and Polar Capital all notable holders.

Activist Focus

Callaway (ELY) is an interesting small-cap which has become an activist situation recently after Jana Partners disclosed a 9.2% stake. The fund is the second-largest stakeholder and wants to discuss selling all or part of the business as ELY is a leader in its core market. Shares are up 20% for the year but struggled in 2019 trading from around \$24 down to \$15. The \$1.7B company trades 15.4X earnings, 1.26X sales, and 21.5X cash. They expect 14% EPS growth and 4.9% revenue growth next year. ELY is a market leader in golf equipment and apparel with top market share position in putters, sticks/woods/irons, and number two in balls. They've invested a lot in technology which has led to key products like the Apex franchise and Epic Driver with Jailbreak technology. ELY is capitalizing on a resurgence in interest in the sport with the number of beginners rising each of the last seven years. Rounds played, a measure of the health of the industry, have also increased in the last two years. One of the big drivers of this growth has been off-course concepts like Topgolf. The company has a significant stake in the driving-range entertainment company and helped them expand into new cities including Mexico and Canada. Topgolf is looking to expand to 80-100 cities overall and could reach \$1.8B in sales by 2020, up from \$500M in 2016. Cowen thinks the company could be worth \$7B. ELY owns around a 14% stake in the company and their last investment round came at \$2.1B valuation.

Another area of interest is Jack Wolfskin which ELY acquired recently for \$476M. The company is part of ELY's growth strategy aimed at becoming a more well-rounded lifestyle and active brand. ELY sees their TAM expanding in recent years from golf and golf apparel to luggage, lifestyle brands, and outdoor apparel. Jack Wolfskin is a German maker of outdoor wear and one of the biggest suppliers of waterproof clothing, shoes, tents, and more. A lot of analysts have raised concerns over the deal given it doesn't fit with the company's core strategy. The products are also lower margin and highly competitive. ELY sees next steps with the brand to expand in North America and Japan while also building out DTC. They also see expanding some of their technical skills from the golf side into product which would help with margins. One interesting take on why the company would be investing in the brand is the 2022 Olympics in China. Beijing will host the games and in preparation they are ramping up their infrastructure with a plan to double the number of skiers worldwide. They see the country's winter sports industry becoming a \$144.5B market by 2025. Jack Wolfskin has a significant footprint in China with seven years of experience and over 700 POS.

Analysts have an average target for shares of \$23. Roth Capital out on 6-13 noting they expect Jana to push for divestitures more than a sale. The firm thinks ELY remains undervalued on a SOTP basis and Jana likely wants to build shareholder value by shedding assets. The firm thinks TopGolf is worth \$2.90/share and a sale of Jack Wolfskin would be viewed positively. The core business is valued at \$18/share. Jefferies positive on 6-12 noting that Taylor Made has a long runway of growth ahead while risks from the Jack Wolfskin deal are being priced in and the long-term opportunity is clear. Short interest is 11.7% and up from around 8% in May. ELY has seen a number of insider buys in 2019 with a director

buying \$140k in stock at \$14.75 and \$15.50, the President/CEO buying \$151k in stock at \$15.14, and the CFO buying \$99k in stock at \$15.13. Hedge Fund ownership rose 12.7% last quarter. Jana with 8.9M shares. 1060 Capital, Kettle Hill, and Kennedy Capital all notable holders.

They will report earnings on 8-8