

## TOP STORIES

- Markets Mixed as Earnings Season Kicks Off
- German ZEW Confidence Falls as Trade Uncertainty Weighs
- Mnuchin: US, China Officials to Discuss Trade by Phone This Week
- JP Morgan Tops Estimates, Aided by Income Tax Boost

## INDEX FUTURES

Futures	Change	Fair Value
<b>S&amp;P 500</b>	<b>3016.75 (-0.50)</b>	<b>-1.30</b>
<b>Nasdaq</b>	<b>7989 (2.25)</b>	<b>1.07</b>
<b>Dow</b>	<b>27328 (-14)</b>	<b>-23.16</b>

## GLOBAL INDICES

INDEX	CLOSE	CHANGE
<b>FTSE</b>	<b>7560.30</b>	<b>0.38%</b>
<b>DAX</b>	<b>12378.66</b>	<b>-0.07%</b>
<b>Nikkei</b>	<b>21535.25</b>	<b>-0.69%</b>
<b>Hang Seng</b>	<b>28619.62</b>	<b>0.23%</b>

## ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
<b>8:30</b>	<b>Retail Sales</b>	
<b>8:30</b>	<b>Import/Export Prices</b>	
<b>9:15</b>	<b>Industrial Production</b>	
<b>10:00</b>	<b>Business Inventories</b>	
<b>10:00</b>	<b>Housing Market</b>	
<b>1:00</b>	<b>Jerome Powell Speaks</b>	

## FOREX

<b>EUR/USD</b>	<b>1.1222 (-0.31%)</b>
<b>USD/JPY</b>	<b>107.96 (0.06%)</b>
<b>USD/CAD</b>	<b>1.3053 (0.05%)</b>
<b>GBP/USD</b>	<b>1.2419 (-0.78%)</b>
<b>USD</b>	<b>96.89 (0.35%)</b>

## COMMODITY

<b>Oil</b>	<b>59.71 (0.22%)</b>
<b>Natural Gas</b>	<b>2.371 (-1.54%)</b>
<b>Gold</b>	<b>1415.4 (0.13%)</b>
<b>Copper</b>	<b>2.713 (0.07%)</b>

## VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
<b>S&amp;P</b>	<b>VIX</b>	<b>12.68 (2.35%)</b>
<b>Nasdaq</b>	<b>VXN</b>	<b>16.22 (-0.18%)</b>
<b>Oil</b>	<b>OVX</b>	<b>30.83 (1.45%)</b>
<b>Gold</b>	<b>GVZ</b>	<b>14.90 (1.71%)</b>

## MARKET OUTLOOK

Futures are indicating a mixed open this morning as earnings season picks up. The Fed will also be in focus today with a busy day for speakers with Raphael Bostic, Michelle Bowman, Robert Kaplan, Jerome Powell, and Charles Evans on the docket. Treasury Sec. Mnuchin said that there is a good chance that he and USTR Lighthizer will travel to China for more talks if phone conversations this week are productive. The move is a bit of a more comprising tone than the President who boasted after China's GDP data on Sunday. JP Morgan (JPM) reporting a strong quarter as higher rates helped and fixed income trading was weak.

Asian markets were mixed overnight with the Nikkei falling after Monday's holiday. Automakers were strong after a report that China will rely on more hybrid vehicles in a strategy shift. **Toyota** was up 1.5%. It was a quiet night for new data. New Zealand CPI was 1.7% in Q2, in line with expectations.

European markets are mixed this morning with the FTSE outperforming as earnings helped lift sentiment. **Burberry** rose 8.5% after better results driven by new creative chief. **Fiat** fell 3.5% after Goldman cut to Sell. **Bayer** higher by 1% after their Roundup ruling was reduced. Eurozone ZEW Sentiment fell less than expected in the latest reading at -20.3 vs -20.9. German Economic Sentiment was weaker at -24.5. UK unemployment was stable at 3.8% while average earnings rose 3.4%.

**Berry Global (BERY)** in focus today after a positive note from JP Morgan, \$66 PT and added to the Focus List. The firm thinks BERY should post "solid" earnings and free cash flow growth over the next couple of years, with the RPC acquisition being the largest driver

## S&P TECHNICALS

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



**KEY EVENTS TO WATCH**

**Earnings After the Close:** CTAS, CSX, SGEN, UAL

**Analyst Days:** BHP

**Tomorrow...** Housing Starts at 8:30 AM, EIA Petroleum at 10:30, Beige Book at 2:00. **Earnings BMO:** ABT, ASML, BAC, BK, CMA, ERIC, OMC, PNC, PGR, TXT, USB, WIT

**ANALYST ACTION/COMMENTS**

**Freeport-McMoRan (FCX)** upgraded to Equal Weight at Barclays; PT \$12

**Laboratory Corp (LH)** upgraded to Neutral at BAML

**OneMain (OMF)** upgraded to Overweight at JP Morgan

**Timken (TKR)** upgraded to Buy at Goldman

**Wheaton Precious Metals (WPM)** upgraded to Overweight at Barclays; PT \$28

**Aflac (AFL)** downgraded to Underperform at Evercore

**Agilent (A)** downgraded to Neutral at BAML

**Cognex (CGNX)** downgraded to Sell at Goldman

**FactSet (FDS)** cut to Underweight at Morgan Stanley

**Hilton (HLT)** downgraded to Hold at SunTrust

**Kennametal (KMT)** downgraded to Sell at Goldman

**MetLife (MET)** downgraded to In-line at Evercore

**Parker-Hannifin (PH)** downgraded to Sell at Goldman

**RenaissanceRe (RNR)** cut to Hold at Deutsche Bank

**RLJ Lodging Trust (RLJ)** downgraded to Sell at SunTrust

**Royal Gold (RGLD)** downgraded to Underweight at Barclays

**Sonoco (SON)** lowered to Underperform at BMO Capital

**Thermo Fisher (TMO)** downgraded to Buy at Needham

**Waters (WAT)** downgraded to Underperform at BAML

**Wingstop (WING)** downgraded to Neutral at Wedbush

**Viking Therapeutics (VKTX)** initiated Outperform at Oppenheimer, \$12 PT

**Fiat Chrysler (FCAU)** started Sell at Goldman

**MEDIA HIGHLIGHTS**

**CBS Corp (CBS), Viacom (VIAB)** set August deadline for merger talks - CNBC

**Energy Transfer (ET)** considering sale of 33% Rover pipeline stake - Bloomberg

**Vale SA (VALE)** to pay \$106.5M to Brazil workers impacted by dam incident – Reuters

**Tesla (TSLA)** employees took shortcuts to meet Model 3 goals - CNBC

**Bayer** Roundup verdict reduced by \$55M by judge -WSJ

**Abbott (ABT)** to boost production of FreeStyle Libre glucose monitors - Reuters

Memory modules makers mulling 10-15% hike on SSD prices – Digitimes

**Intel (INTC), Advanced Micro (AMD)** to roll out top-end desktop CPUs in October – Digitimes

**Telenor** Shares Drop as Stalling Revenue Growth Cuts Outlook – Bloomberg

**Burberry** Sales Grow on Demand for Designer Tisci's New Looks – Bloomberg

Fast-casual industry is set to continue booming – NY Post

**Ryanair** halves 2020 growth plans on MAX delays – Reuters

**STOCK SPECIFIC NEWS OF NOTE**

**Arrow Electronics (ARW)** CEO see deteriorating demand conditions in Q2

**Intuitive Surgical (ISRG)** to buy Scholly Fiberoptic's robotic endoscope business

**TopBuild (BLD)** acquires Viking Insulation

**People's United (PBCT)** to buy **United Financial (UBNK)** for \$759M in stock

**Kemet (KEM)** says Tantalum Polymer capacitors no longer subject to Chinese tariffs

**Lamar (LAMR)** to acquire Ashby Street Outdoor

**Rio Tinto (RIO)** cuts FY19 Pilbara ore shipments view

**Prologis (PLD)** to buy Black Creek Group industrial RE investment platform for \$3.99B

**Alnylam (ALNY)** enters collaboration with 23andMe

**Melinta Therapeutics (MLNT)** says FDA accepted Baxdela sNDA for priority review

**PRE-MARKET MOVERS**

**Moving Higher:** DB 1.9%, NOK 1.2%

**Moving Lower:** VOD -2.2%, JPM -1.5%, TSLA -1.4%

**INSIDER TRADING (Form 4 Filings)**

**Buying:** WTI, HQY, FDX, SNSS

**Selling:** MASI, GRMN, NOW, TCMD, EW, CTSH, NSP, CIEN, PAYX, VRTX, SCS, DRI

**POTENTIAL SYMPATHY TRADES**

**KNX, WERN, LSTR, SNDR** – on JBHT earnings

**OPTION HIGHLIGHTS (Prior Day)**

**Biohaven (BHVN)** today seeing 2000 August \$40 puts sold to open for \$1.80 to \$1.75 and name which has over 8,750 January \$50 calls bought over the last month, some spread with the \$60 calls and some with the \$80 calls, as shares consolidate the recent gap lower. The December \$50 calls also seeing buyers on 7-8 while the August \$50 calls with 2,400 bought on 6-27. Shares gapped down over 20% in late June after a \$300M offering took a lot by surprise but held the 2018 range breakout and big volume shelf at \$41.50. A move above \$46 puts shares into the gap which measures back around \$55. The \$2.26B biotech trades 10.4X cash with limited debt with expectations for over \$305M in revenues in 2021 as they enter a commercial launch for rimegepant. The company reported positive Phase 3 data for the treatment of acute migraine recently with readouts published in the NEJM and The Lancet last week. They submitted an NDA in Q2 with commercial launch expected next year. BHVN is also working on critical Phase 3 trial in preventative migraine which is due in Q4. Analysts have an average target for shares of \$72.50 with 9 buy ratings and 2 hold. Piper positive on 7-1 noting that the concerns hanging over the stock about the filing have been put to rest and the focus can now turn to the launch, a notable positive. Canaccord positive on 6-25 noting that recent events (M&A spec, the offering) have shaken some investors but company has a long pipeline of positive catalysts ahead. They have a \$89 PT. Short interest is 9.2% and up from around 6.5% in January. Hedge Fund ownership fell 1.85%. Kingdon Capital, Samlyn Capital, and Rubric Capital all notable holders. BHVN saw a number of insiders buy stock on 6-26 with the offering weakness. Four different people bought over \$800k in shares between \$40.22 and \$42.30.

**AFTER HOURS MOVERS**

**Gainers:** JBHT 6%

**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)**

**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
<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:** 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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
DXC Tech (DXC)	SM Energy (SM)	Intec Pharma (NTEC)
Boot Barn (BOOT)	Knowles (KN)	Cadiz (CDZI)
Gray Television (GTN)	Tower Semi (TSEM)	Harmonic (HLIT)
ON Semi (ON)	Howard Hughes (HHC)	Uniti (UNIT)
CoreCivic (CXW)	Patterson (PTEN)	Energy Fuels (UUUU)
GlycoMimetics (GLYC)	Radius (RDUS)	Sierra Wireless (SWIR)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Cardiovascular System (CSII)	Patterson (PTEN)	Eros (EROS)
MannKind (MNKD)	Red Rock (RRR)	Melinta (MLNT)
Maxim (MXIM)	Telecom Argentina (TEO)	Cronos (CRON)
Vistra (VST)	Noah Holdings (NOAH)	Hexo (HEXO)
NY Times (NYT)	Medicine CO (MDCO)	3D Systems (DDD)
Plug Power (PLUG)	SM Energy (SM)	Biohaven (BHVN)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
WPX Energy (WPX)	Host Hotels (HST)	Intra-Cellular (ITCI)
Gray Television (GTN)	Carvana (CVNA)	GlycoMimetics (GLYC)
General Electric (GE)	Parsley Energy (PE)	Deciphera (DCPH)
Intra-Cellular (ITCI)	ArQule (ARQL)	Puma Bio (PBYI)
IQIYI (IQ)	Sony (SNE)	Retrophin (RTRX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Advanced Micro (AMD)	Intel (INTC)	SM Energy (SM)
Bank of America (BAC)	Teva Pharma (TEVA)	Knowles (KN)
Glu Mobile (GLU)	Realogy (RLGY)	Tower Semi (TSEM)
Marvell Tech (MRVL)	Transocean (RIG)	CoreCivic (CXW)
Wells Fargo (WFC)	Mercado Libre (MELI)	GlycoMimetics (GLYC)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Intel (INTC)	Stitch Fix (SFIX)	JD, 7000 August \$34/\$29 bull risk reversals
Mercado Libre (MELI)	Illinois Tool (ITW)	TWTR, January 2021 \$50/\$60 call spread bought 3,500X7,000
Dominion (D)	Marriott (MAR)	INTC, 19,000 August 9th (W) \$50/\$54 call spreads
Citrix (CTXS)	ASGN	SNY, December \$44/\$47 call spread bought 1045X
Boot Barn (BOOT)	Concho (CXO)	GLYC, 2,000 August \$15/\$20 call spreads

### Extras

**Harmonic (HLIT)** with 10,000 August \$10 calls bought \$0.15 to \$0.20 after recent licensing deal with Comcast

**Wells Fargo (WFC)** buyer of 2500 December \$45 puts to open \$2.09 into earnings, but also 3000 Aug. 23<sup>rd</sup> (W) \$46.50 calls bought \$1.18 to \$1.24 to open

**Far-Fetch (FTCH)** with 1400 August \$19 calls opening late \$2.45 to \$2.50

**Regeneron (REGN)** with 1,000 August \$305 calls opening tied to the \$295 puts in short strangles.

**Macy's (M)** with 3000 Aug. 23<sup>rd</sup> (W) \$22 calls bought to open late day

### Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
JBHT	JB Hunt	\$1.23	\$1.35	\$2,261.60	\$2,257.55	5.70%	
CP	Canadian Pacific		\$4.15		\$1,984.11		
SCHW	Charles Schwab		\$0.65		\$2,677.09		
DPZ	Domino's Pizza	\$2.19	\$2.03	\$811.65	\$834.87	4.10%	US Comps 3%
FHN	First Horizon	\$0.42	\$0.36	\$461.60	\$441.32	5.30%	
GS	Goldman Sachs		\$5.03		\$8,879.07		
JNJ	Johnson & Johnson	\$2.58	\$2.44	\$20,562.00	\$20,388.34	-1.30%	Affirms FY
JPM	JPMorgan Chase	\$2.82	\$2.49	\$28,832.00	\$28,524.81	3.90%	
PLD	Prologis	\$0.77	\$0.76	\$700.69	\$704.19	28.60%	
SNV	Synovus	\$1.00	\$0.99	\$487.90	\$482.13	36.20%	
WFC	Wells Fargo		\$1.16		\$20,948.94		

**JBHT – Missed on EPS and Revenues** - Total operating revenue for the current quarter was \$2.26 billion, compared with \$2.14 billion for the second quarter 2018, an increase of 6%. Revenue growth was driven primarily by a 19% increase in revenue producing trucks and an 8% increase in truck productivity in Dedicated Contract Services (DCS), but partially offset by an 8% decline in volume in Intermodal (JBI), a 7% decline in volume in Integrated Capacity Solutions (ICS), and fewer tractors operating in Truck (JBT) compared to prior year. JBI load volumes declined 8% over the same period in 2018. Transcontinental loads decreased approximately 5% and Eastern network volumes declined 11% from second quarter 2018. A softer freight market limited the ability to offset rail network rationalization effects in the Eastern network though loads per workday trends improved throughout the quarter particularly in the Transcontinental network. Revenue decreased 1% reflecting the 8% volume decline and an approximate 7% increase in revenue per load, which is the combination of customer rate changes, fuel surcharges, and freight mix. Operating income decreased 7% from prior year. Benefits from customer rate increases were offset by the volume decline, higher rail purchased transportation costs, higher driver

pay, retention and recruiting costs, increased technology modernization costs, and increased equipment and facilities ownership costs.