

TOP STORIES

- Trump Could Impose More Tariffs on China
- US, Japan Aim to Agree on Trade Deal on Agriculture, Autos by September
- Eurozone Inflation Revised Higher in June but Remains Below ECB Target
- EU Car Registrations Fall Sharply in June

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	3009 (2)	1.21
Nasdaq	7954.75 (12)	6.67
Dow	27341 (13)	14.37

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7566.4	-0.14%
DAX	12433.52	0.02%
Nikkei	21469.18	-0.31%
Hang Seng	28593.17	-0.09%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
8:30	Housing Starts	
10:30	EIA Petroleum	
12:30	Esther George Speaks	
2:00	Beige Book	

FOREX

EUR/USD	1.1218 (0.08%)
USD/JPY	108.24 (0.02%)
USD/CAD	1.3061 (-0.19%)
GBP/USD	1.2405 (0.02%)
USD	96.98 (-0.06%)

COMMODITY

Oil	58.02 (0.69%)
Natural Gas	2.319 (0.56%)
Gold	1405 (-0.44%)
Copper	2.686 (-0.52%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	12.86 (1.42%)
Nasdaq	VXN	16.66 (2.71%)
Oil	OVX	32.06 (3.99%)
Gold	GVZ	14.32 (-3.89%)

MARKET OUTLOOK

Futures are indicating a modestly higher open this morning despite weakness across global markets. It was a pretty quiet night for news. POTUS went back to a more hardline tariff stance reiterating that he could add more to Chinese imports if he wanted. China responded by saying that such a move would complicate their current talks which are just now getting back ongoing. In Washington, the US debt limit is in focus with Mnuchin saying the country will be at risk of default in September. Congress goes on recess on 7-26, so urgency to get a deal done soon. Mnuchin is in Paris for a meeting of G-7 Finance leaders.

Asian markets were lower overnight with uncertainty over US/China trade weighing. The Nikkei lagged down 30 bps. Financial showed some strength with US bond yields rising. Office supplies company **Askul** rose 12% after news reports they were dissolve an alliance with Yahoo. **Aeon Fantasy**, an operator of entertainment facilities in shopping centers, traded higher by 11.5%. It was a quiet night for new data. Singapore exports fell 17.3% in June, worse than the 9.9% drop expected.

European markets are mixed in early trading. **ASML** higher by 3.5% after earnings and boosting tech. Energy stocks dragged with **BP**, **Total** both down 1%. Swedish leisure products supplier **Dometic** fell 8.5% after cutting their outlook. **Swatch** was higher by 5% with a strong 2H guide. Autos were weak with EU car sales down in June. **Nissan**, **Volvo**, and **Fiat** weak. Eurozone CPI rose to 1.3% in June, up from the 1.2% forecast. Core CPI is 1.1%. UK CPI was 2% as expected while PPI came in light at 1.6% vs 1.7%. Italian industrial sales rose 1.6%, much better than the 0.5% drop forecast.

S&P TECHNICALS

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



KEY EVENTS TO WATCH

Earnings After the Close: ADTN, AA, CCK, CCI, EBAY, IBM, KMI, LLNW, NFLX, URI

Analyst Days: AAR, INFN

Tomorrow... Jobless Claims at 8:30 AM, Philadelphia Fed at 8:30, EIA Nat Gas at 10:30, John Williams Speaks at 2:15.

Earnings BMO: ADS, ALLY, BX, GTLS, DHR, DOV, GATX, GPC, HON, MS, NVS, NUE, PM, POOL, PPG, SAP, SNA, SON, STI, TSM, UNP, UNH, WBS

ANALYST ACTION/COMMENTS

Hershey Foods (HSY) upgraded to Neutral at Goldman

M/A-COM Tech (MTSI) upgraded to Overweight at Piper

Seattle Genetics (SGEN) upgraded to Overweight at Piper

Alliance Resource (ARLP) cut to Neutral at B. Riley

CSX (CSX) downgraded to Equal-Weight at Stephens

Lear (LEA) downgraded to Sector Perform at RBC Capital

Levi Strauss (LEVI) downgraded to Sell at Goldman

PVH (PVH) downgraded to Sell at Goldman

Ralph Lauren (RL) downgraded to Sell at Goldman

Santander Consumer USA (SC) downgraded to Neutral at Janney

Steelcase (SCS) downgraded to Neutral at Seaport

Enterprise Products (EPD) initiated with an Overweight at Piper Jaffray; PT \$37

Energy Transfer (ET) initiated with an Overweight at Piper Jaffray; PT \$22

Opera Ltd (OPRA) initiated with a Buy at B. Riley FBR

Plains All American (PAA) initiated with an Overweight at Piper Jaffray; PT \$31

Pluralsight (PS) initiated with an Overweight at KeyBanc Capital Markets; PT \$40

2U (TWOU) initiated with an Overweight at KeyBanc Capital Markets; PT \$56

MEDIA HIGHLIGHTS

DOJ requests halt of antitrust ruling against **Qualcomm (QCOM)** - Reuters

Pearson (PSO) plans to phase out print textbooks, BBC

Google (GOOGL) terminating 'Project Dragonfly' censored search engine for China – BI

Huawei to launch smart TVs – Digitimes

European Car Sales Resume Downward Spiral With Sharp June Drop – Bloomberg

Swatch Earnings Decline on Crackdown Against Unauthorized Sales – Bloomberg

Apple (AAPL) tests AirPod production in Vietnam as it cuts China reliance – Nikkei

Amazon (AMZN) in EU antitrust spotlight over use of merchant data – Reuters

Hedge fund Elliott buys stake in UK's **Saga** – Reuters

TalkTalk buoyed by strong fibre demand – Reuters

Dialog Semi raises second-quarter profit outlook – Reuters

Chinese Esports Group **DouYu (DYOU)** Raises \$775 Million in U.S. IPO – WSJ

IAC Interactive (IAC) to Invest \$250 Million in Car-Sharing App Turo – WSJ

STOCK SPECIFIC NEWS OF NOTE

Nu Skin (NUS) Cuts Q2, FY Outlook

Mallinckrodt (MNK) halts Phase 2B trial investigating use of Acthar gel in ALS

Ericsson (ERIC) says in ongoing settlement negotiations with SEC, DOJ

Arrowhead Pharma (ARWR) receives orphan drug designation for ARO-ANG3

Ebix (EBIX) to acquire **Yatra Online (YTRA)** for \$4.90 per share

Visa (V) acquires Payworks

PRE-MARKET MOVERS

Moving Higher: QCOM 5.4%, ASML 5.4%, BUD 1.6%

Moving Lower: CSX -7%, ERIC -6%, CMA -2%

INSIDER TRADING (Form 4 Filings)

Buying: FRAN

Selling: SHAK, CVGW, FND, CTLT, PGTI, RARX, PSMT, MU, ZNGA, ARES, KR

POTENTIAL SYMPATHY TRADES

UNP, NSC, KSU – on CSX earnings

KLAC, LRCX, TSM, AMAT – on ASML earnings

OPTION HIGHLIGHTS (Prior Day)

Brooks Automation (BRKS) IV rising with 2000 August \$37.50 calls being bought to open aggressively up to \$3.60. BRKS does not have much notable open interest, but an interesting company and been consolidating, next earnings report due in early August. The weekly bull flag sets up for a breakout move above \$40 that can target a run to \$45-\$50. The \$2.87B Co. trades 26X Earnings, 4.7X Sales and yields a 1% dividend. BRKS is expected to post 26% revenue growth this year after 21% and 20% the last two years. BRKS bought GENEWIZ for \$450M last year, a genomics service provider. BRKS is split with Semiconductor Equipment 57% of revenues and focused on wafer automation and contamination control, while Life Sciences is 43% of revenues and focused on cold chain services and the new genomics unit. Analysts have an average target of \$44.50 and short interest elevated at 7.4% of the float. There has not been much commentary on the name recently, Stephens and B. Riley with \$43 targets while Janney a mega-bull with a \$56 target a year ago citing strength of the Life Sciences segment that is set to see further M&A and better growth. Hedge Fund ownership rose nearly 15% in Q1 filings.

AFTER HOURS MOVERS

Gainers: SGEN 7.7%, CTAS 5.5%, QCOM 5%, PBYI 4.3%

Losers: NUS -18.2%, CSX -6%, MIK -5.9%, HQY -3.2%, WHR -3%, LSTR -2.8%, PENN -2.5%

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)

Tiger Global reports 19% stake in **Sunrun (RUN)**

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

Phresia (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

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Blue Apron (APRN)	LG Display (LPL)	Blue Apron (APRN)
First Horizon (FHN)	Papa Johns (PZZA)	CareDx (CDNA)
Brooks Automation (BRKS)	Cintas (CTAS)	Riot Blockchain (RIOT)
Trinity (TRN)	Aaron's (AAN)	Curis (CRIS)
Therapeutics MD (TXMD)	IPG Photonics (IPGP)	GlycoMimetics (GLYC)
Discovery (DISCA)	Dominos (DPZ)	Axalta (AXTA)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
8x8 (EGHT)	LG Display (LPL)	Intec (NTEC)
Arthur Gallagher (AJG)	Papa Johns (PZZA)	Dominos (DPZ)
1800 Flowers (FLWS)	Diodes (DIOD)	Carrizo (CRZO)
First Horizon (FHN)	Athene (ATH)	JB Hunt (JBHT)
Wright Medical (WMGI)	ACCO Brands (ACCO)	Cara Therapeutics (CARA)
Madison Square (MSG)	Momenta Pharma (MNTA)	Canadian Pacific (CP)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Sprint (S)	Knight Swift (KNX)	Intra-Cellular (ITCI)
Pivotal Software (PVTI)	Altria (MO)	GlycoMimetics (GLYC)
Liberty (LBTYA)	Morgan Stanley (MS)	Deciphera (DCPH)
Stamps.com (STMP)	Bristol Myers (BMJ)	Puma Bio (PBYI)
Tronox (TROX)	Symantec (SYMC)	Retrophin (RTRX)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Bank of America (BAC)	Advanced Micro (AMD)	LG Display (LPL)
JD.com (JD)	National Oilwell (NOV)	Papa Johns (PZZA)
Sprint (S)	Citi (C)	Cintas (CTAS)
Ford Motor (F)	Tesla (TSLA)	Therapeutics MD (TXMD)
Discovery (DISCA)	Nokia (NOK)	Discovery (DISCA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Marvell (MRVL)	Pan American (PAAS)	SHAK, 930 of the January \$80/\$90 call spreads
Splunk (SPLK)	DXC Tech (DXC)	NSP, August \$130/\$145 call spread today for \$5.35, 200X
Shake Shack (SHAK)	Lincoln Financial (LNC)	LNC, 3000 January \$60/\$50 put spreads
Fluor (FLR)	CarMax (KMX)	ABBV, 1,000 June 2020 \$80/\$90 call spreads
Capital One (COF)	Salesforce (CRM)	NOC, 1,000 August \$345/\$365 OTM call spreads

Extras

Beyond-Meat (BYND) IV rising this afternoon with 2,850 August \$140 ITM calls opening for around \$9.5M. **BYND** also seeing 2,250 January 2021 \$170 calls open that are trading small lots and appear to be stock replacements

Sage Therapeutics (SAGE) afternoon sales of 500 August \$180 puts for \$9

Whiting Petro (WLL) with 3000 August \$17 calls opening \$0.73

HubSpot (HUBS) with 500 August \$180 puts opening \$8.89 as July \$175 adjust

WestRock (WRK) late day buyers of 750 January \$32.50 puts at \$2.05

Cerner (CERN) buyers of the September \$80/\$70 bull risk reversal for a \$0.25 net credit today, 965X

Papa John (PZZA) adjustment of 13,600 January \$60 puts to the \$52.5 strike

United Airlines (UAL) buyer of 3000 next week \$94 straddles for earnings 7-16 while the July \$94 straddle sold to open

Masco (MAS) with 1000 January \$37 puts bought \$2 to \$2.05 and 1000 August \$38 puts bought \$0.88 to open

Banco Bradesco (BBD) large late opening sales of 5000 January \$12 ITM puts for \$2.35

Exact Sciences (EXAS) with 300 July \$105 calls adjusting to August \$105 synthetic long positions

Nevro (NVRO) with 500 ITM February \$72.50 puts sold to open yesterday for \$12.50 and follows sellers in the August \$60 puts 1000X and November \$50 puts 1000X over the last two months. NVRO had 500 December \$70 puts sold to open for \$12 in April while the \$45 calls bought 300X for \$21.50. NVRO shares are consolidating in a narrow range under \$68 with a breakout targeting \$78. The 50-day MA is support just below around \$62.50. The \$1.92B company trades 5X sales and 8X cash with 10.6% revenue growth. Shares jumped in March after the CEO departed and the company reached an agreement with Broadfin Capital. The new CEO is expected to lead a turnaround as the company looks to capture a growing market opportunity from their Senzo spinal cord stimulation product. Analysts have an average target for shares of \$59 with 6 buy ratings, 3 hold, and 2 sell. MSCO upgrading to Overweight with a \$70 PT seeing management changes and the new platform disclosed at NANS 2019 represent "a new beginning" with a material change in strategy. The firm also takes the changes as evidence that the board is more committed to execution and shareholder returns. Wells Fargo with a \$75 PT as the firm believes the company has a good product, participates in a healthy, underpenetrated market, and has a "strong and under-appreciated pipeline." BAML with a \$70 PT and Buy rating, they think CEO Keith Grossman is the best SMid cap commercial turn-around CEO in MedTech. NVRO has 12.9% of the float short but down from over 22% in 2017. Hedge Fund ownership rose 15.4% in Q1. Spark Investment and Birch Run Capital notable holders. On 6-10 a director bought \$500,981 in stock at \$61.22 while on 6-7 a different director bought \$100,500 in stock at \$60.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
CTAS	Cintas	\$2.07	\$1.93	\$1,793.73	\$1,777.27	7.40%	FY In Line
CSX	CSX	\$1.08	\$1.11	\$3,060.00	\$3,141.71	-1.40%	FY Below

FULT	Fulton Fincl	\$0.35	\$0.34	\$221.94	\$218.51	6.60%	
SGEN	Seattle Genetics	-\$0.49	-\$0.43	\$218.45	\$189.76	28.40%	
UAL	United Airlines	\$4.21	\$4.09	\$11,402.00	\$11,374.02	5.80%	Raises FY

CSX – Missed on EPS and Revenues - CSX's operating ratio set a company second quarter record of 57.4 percent, improved from 58.6 percent in the prior year. Chemicals increased as stronger crude oil and waste shipments were partially offset by reduced fly ash, natural gas liquids and sand volumes. Automotive driven by strength in trucks and SUVs. Agricultural & Food Products growth driven by strength in domestic grain and ethanol markets. Forest Products increase led by high demand for wood pulp and stronger lumber shipments. Minerals strength driven by increased construction and paving project activity. Metals and Equipment declined as a result of decreased metal shipments, primarily in sheet steel, construction and scrap markets

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ABT	Abbott Labs		\$0.80		\$7,996.66		
ASML	ASML	\$1.13	\$0.95	\$2,501.00	\$2,566.23		
BAC	Bank of America	\$0.74	\$0.71	\$23,100.00	\$23,129.97	2.70%	
BK	BNY Mellon	\$1.01	\$0.96	\$3,924.00	\$3,922.78	-5.20%	
CMA	Comerica	\$1.94	\$2.00	\$853.00	\$859.09	1.80%	
ERIC	Ericsson	\$0.59	\$0.80	\$54,800.00	\$53,251.76	10.00%	
OMC	Omnicom	\$1.68	\$1.60	\$3,719.80	\$3,722.02	-3.60%	
PNC	PNC	\$2.88	\$2.82	\$4,439.00	\$4,396.54	2.70%	
PGR	Progressive		\$1.41		\$9,127.75		
TXT	Textron	\$0.93	\$0.86	\$3,227.00	\$3,426.96	-13.40%	Raises FY
USB	U.S. Bancorp	\$1.00	\$1.07	\$5,577.00	\$5,728.25	-1.10%	

Earnings Preview

United Rentals (URI) will report earnings tonight after the Close with the Street looking for \$4.46 on \$2.27B, a 19.9% increase Y/Y. Next quarter is guided to \$5.83 and \$2.47B with the FY \$19.09 and \$9.36B. Shares have closed higher five of the last eight with an average closing move of 5.28%. This quarter is pricing a 5.8% move with IV30 at 39.86 and in the 35th percentile of its 52-week range. Skew is slightly bearish at 11.6% vs 6.9% of its 52-week range. The \$10.79B company trades 6.36X earnings, 1.27X sales, and 4X FCF with double-digit EPS growth. URI expects 3.7% and 2% revenue growth over the next two years. Gross margins have been light. The company affirmed their FY guidance on 6-3 after announcing a new capital allocation strategy focused on lowering their leverage range to 2-3X. They're

coming off a strong quarter with customer sentiment improving and end-market activity, especially around specialty operations like Trench, Power, and Fluid solutions. There's been some stability in energy markets on the industrial side while non-residential construction was mixed. URI saw some Q1 delays due to weather and expectations for Q2 are to see a more normal resumption of activity. URI the leader in North American equipment rental with a 13% market share. The industry is highly fragmented with peer Sunbelt second at 7% and HRI at 3%. They're benefitting from a rebound in total construction spending but it remains below the long-term average. URI expects to drive revenue growth through cross-selling opportunities, a larger secular shift towards rental vs ownership, a new digital-focused strategy, and accretive M&A. The company has been very acquisitive lately targeting new geographies and verticals. They've seen strong synergies so far from their recent deals for Blue Line and Baker while Neff, NES, and National Pump all attractive recently to build out their core business. URI sees costs improving as their mix shifts more towards Specialty products which are outpacing the average. Analysts have an average target for shares of \$157.50 with 8 buy ratings, 4 hold, and 1 sell. UBS positive on 6-28 seeing shares undervalued unless under the most severe recession scenarios. Short interest is 6.2% and rising recently from around 3.5% in January. Hedge Fund ownership rose 25.5% in Q1. Lyrical Asset Management a buyer of 1.6M shares while Citadel, Pointstate and Columbus Hill Capital all notable buyers.