

TOP STORIES

- US, China Officials Discuss Path Forward on Trade, No Meeting Set
- NY Fed: Williams Comments 'Academic', Not Related to July FOMC
- Italy May Decide on Snap Elections As Soon As This Weekend
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INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2999 (1.50)	0.89
Nasdaq	7942.25 (8.75)	19.12
Dow	27245 (44)	35.03

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7479.7	-0.18%
DAX	12228.41	0.01%
Nikkei	21466.99	2.00%
Hang Seng	28765.4	1.07%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
10:00	Consumer Sentiment	
11:05	James Bullard Speaks	
4:30	Eric Rosengren Speaks	

FOREX

EUR/USD	1.1238 (-0.33%)
USD/JPY	107.59 (0.28%)
USD/CAD	1.3045 (0.15%)
GBP/USD	1.2536 (-0.07%)
USD	96.65 (0.21%)

COMMODITY

Oil	56.03 (1.32%)
Natural Gas	2.281 (-0.26%)
Gold	1439.5 (0.80%)
Copper	2.762 (1.92%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.53 (-3.15%)
Nasdaq	VXN	17.01 (-5.50%)
Oil	OVX	33.07 (-5.35%)
Gold	GVZ	17.45 (8.93%)

MARKET OUTLOOK

Futures are indicating a modestly higher open to close with positive comments on trade helping sentiment. US and Chinese officials spoke by phone on Thursday with USTR Lighthizer, Mnuchin and Liu He discussing a path forward. There was no face-to-face meeting scheduled but expected to be in Beijing soon. Comments from the Fed's John Williams yesterday saying the central bank should act quickly when they see signs of trouble reinforced odds that we could see as much as a 50 bps rate cut later this month. Williams walked back some of those comments later as 'academic' and not necessarily relatable to the short-term situation. Vice Chair Clarida also clarified comments afterwards. CME Fed Watch has a 45.2% probability of a 50 bps cut. Copper is strong overnight up almost 2% and nearing a base breakout. Oil up 1.7%. The dollar is rebounding a bit after the Fed comments.

Asian markets jumped overnight with the more dovish Fed comments. The Nikkei closed higher by 2% but still managed a 1% loss for the week, its worst since May. Chipmakers **Advantest** and **Tokyo Electron** rallying with positive comments from TSM. **Japan Post** fell to a new low after more news about their recent scandal. Auto parts maker **Akebono Brake** rose 20% after receiving an investment to fund a turnaround. It was a quiet night for data. Japanese PPI came in light at 0.1% vs 0.5%.

European markets are basically flat this morning despite opening strong. The DAX has steadily moved back to unchanged. **AB In Bev** higher by 5% after agreeing to sell its Australian operations to **Asahi**. **BMW** higher by 1.5% after naming a new CEO. **Publicis** down 7% after cutting their outlook. **Wirecard** higher by 5.15% after signing an MOU with Aldi Supermarkets. It was a quiet morning for new data. Eurozone current account for May rose to 29.7B vs 21.2B. German PPI came in light at 1.2% vs 1.4%.

S&P TECHNICALS

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



4113 Advancing	Declining 3100
53.6%	40.4%
294 New High	New Low 213
58.0%	42.0%
4856 Above SMA50	Below 2735
64.0%	36.0%
4501 Above SMA200	Below 3090
59.3%	40.7%

KEY EVENTS TO WATCH

Economic Data on Monday: Chicago Fed

Earnings Monday BMO: BOH, CADE, CALM, GNC, HAL, LII, ONB, PETS, RPM, SALT

ANALYST ACTION/COMMENTS

AIG upgraded to Buy at William Blair

Post Holdings (POST) upgraded to Overweight at Piper

Philip Morris (PM) upgraded to Overweight at Barclays

Health Equity (HQY) upgraded to Buy at BAML

Public Storage (PSA) upgraded to Buy at BAML

Axis Capital (AXS) upgraded to Buy at Buckingham

KBR upgraded to Outperform at Cowen

Alcoa (AA) downgraded to Hold at Jefferies

Invitation Homes (INVH) downgraded to Hold at Keefe Bruyette, \$28.50 PT

SAP downgraded to Hold at Deutsche Bank

Paycom (PAYC) downgraded to Hold at Jefferies

Ingevity (NGVT) downgraded to Hold at Jefferies

Michaels (MIK) downgraded to Underperform at BAML

CubeSmart (CUBE) downgraded to Neutral at BAML

Travelers (TRV) downgraded to Neutral at Buckingham

MSG Networks (MSGN) downgraded to Sell at JP Morgan

Autohome (ATHM) downgraded to Hold at Benchmark

News Corp (NWSA) downgraded to Sell at JP Morgan

Blueprint (BPMC) initiated Buy at Baird, \$120 PT

AMC Entertainment (AMC) initiated Buy at CSFB

Altimune (ALT) initiated Buy at Roth Capital

Zillow (Z) initiated Overweight at Keybank

LyondellBasell (LYB) initiated Sell at JP Morgan

Cinemark (CNK) initiated Outperform at CSFB

MEDIA HIGHLIGHTS

Gannett (GCI) in late-stage talks to merge with **GateHouse Media** - WSJ

Axalta Coating (AXTA) interests rivals **PPG** and **Kansai Paint** - Bloomberg

Travel company **Virgin Holidays** will end selling tickets to **SeaWorld (SEAS)** - Sun

AT&T (T) mulls sale of Puerto Rican business to pay down debt - Bloomberg

MGM Resorts (MGM) said to consider sale-leaseback of Bellagio, MGM Grand - Bloomberg

WeWork (WE) co-founder has cashed out over \$700M ahead of IPO; We Company to host analyst day for Wall Street banks on July 31 - WSJ

J.C. Penney (JCP) hires advisers to explore debt restructuring options - Reuters

Tencent has agreed to self driving car partnership with **BMW** - Bloomberg

Brookfield (BAM) is aiming to sell Atlantis Paradise Island Resort. Bloomberg

STOCK SPECIFIC NEWS OF NOTE

E-Trade (ETFC) announces \$1.5B share buyback

Vintage Capital proposes to acquire **Red Robin (RRGB)** at \$40 per share

Boeing (BA) to record \$4.9B or \$8.74 per share Q2 charge on 737Max grounding

VMware (VMW) to acquire Bitfusion

PepsiCo (PEP) to acquire Pioneer Foods for \$1.7B

AB InBev (BUD) to sell Carlton & United Breweries for \$11.3B to Asahi Group

Carl Icahn formally seeks to replace four **Occidental Petroleum (OXY)** directors

Schlumberger (SLB) names Olivier Le Peuch as CEO

Medallia (MDLA) pricing IPO at \$21, above range

PRE-MARKET MOVERS

Moving Higher: CRWD 18.9%, GLPG 5%, BUD 4.2%, CLF 4.1%, MSFT 2.9%, ALV 2.6%

Moving Lower: GFI -2.8%, DB -2%

INSIDER TRADING (Form 4 Filings)**Buying:**

Selling: ICE, CSOD, ANGO, HUBS, MAR, H, NEOG, FIVN, VAR, CHGG, STZ, TTD, BBY

POTENTIAL SYMPATHY TRADES

V, MA – on AXP quarter

CSCO, CRM, AMZN, ORCL – on MSFT earnings

OPTION HIGHLIGHTS (Prior Day)

Leggett & Platt (LEG) another 2,000 August \$40 puts being bought today for \$1.75 to \$1.85 and follows 4,000 bought late yesterday and over 8,000 on 7-9. LEG also has 2,000 August \$40 calls in OI but small dollar-size order. Shares have been weak since February and bouncing back since late May to re-test the 200-day MA this week. The bear flag break under \$37.50 has room back to \$35 and then a major breakdown below the 2018 lows which targets \$25. The \$5.16B company trades 14.4X earnings, 1.17X sales, and 64X FCF with a 4% yield. Their balance sheet is debt-heavy after a deal for ECS last year and they've also slowed shareholder returns as they look to improve their leverage. LEG sees EPS growth of 10.5% in FY20 and slowing to 6.4% in FY21 with revenue growth of 4% annually, down from around 15% this year. Margins remain weak and contracting at an accelerated rate last quarter. LEG expects impacts from tariffs to weigh on their long-term guidance, especially in areas like furniture and mattresses, as they've been raising prices only incrementally so far. Analysts have an average target for shares of \$42. Gabelli downgrading to Hold earlier this year seeing weak end-markets, industrial products over-earning, and questioning the ECS deal. Short interest is 10.1%, the highest levels since 2009 and rising from around 4% in late 2017. Hedge Fund ownership fell 4.5% last quarter. Berkshire Asset Management, Gotham Asset Management, and Silvercrest all notable holders.

AFTER HOURS MOVERS

Gainers: SKX 9.5%, CRWD 8.6%, RRGB 7.9%, COF 3.7%

Losers: PLAY -1.5%

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)**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

Atara Bio (ATRA) pricing 6.87M share secondary at \$15.28

Amarin (AMRN) 22.22M share secondary priced \$18

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

WEX (WEX)

Diageo (DEO)

Enphase (ENPH)

Big Lots (BIG)

Lab Corp (LH)

Adtran (ADTN)

Unusual Put Activity

Diageo (DEO)

Eventbrite (EB)

Novo Nordisk (NVO)

Leggett (LEG)

Celgene (CELG)

Dover (DOV)

Implied Volatility Riser

Sprint (S)

Gossamer Bio (GOSS)

Neptune Wellness (NEPT)

JC Penney (JCP)

Allscripts (MDRX)

Pareteum (TEUM)

Lowest Put/Call Ratio

Iovance (IOVA)

WEX (WEX)

BJs Restaurant (BJRI)

Cars.com (CARS)

Lab Corp (LH)

Intrexon (XON)

Highest Put/Call Ratio

Anaptys (ANAB)

Avaya (AVYA)

Hasbro (HAS)

Webster (WBS)

Novo Nordisk (NVO)

Western Union (WU)

Implied Volatility Decliner

Blue Apron (APRN)

Netflix (NFLX)

Riot Blockchain (RIOT)

Snap On (SNA)

Ebay (EBAY)

SAP

OTM Calls on Offer

WPX Energy (WPX)

Liberty (LBTYK)

Rambus (RMBS)

Blackberry (BB)

Enphase (ENPH)

OTM Puts on Offer

Oasis Petrol (OAS)

Chewy (CHWY)

Alibaba (BABA)

Ford Motor (F)

Elevated IV30

Intra-Cellular (ITCI)

GlycoMimetics (GLYC)

Deciphera (DCPH)

Puma Bio (PBYI)

Retrophin (RTRX)

Positive Net Delta

Ally Financial (ALLY)

Cisco (CSCO)

Pfizer (PFE)

Nvidia (NVDA)

Snap (SNAP)

Negative Net Delta

Altaba (AABA)

PG&E (PCG)

Caterpillar CAT

Symantec (SYMC)

Vale (SA (VALE)

Option Volume Gainers (%)

Leggett (LEG)

Celgene (CELG)

Dover (DOV)

Lab Corp (LH)

Adtran (ADTN)

Bullish Call Flow

Enphase (ENPH)

Gossamer (GOSS)

Citrix (CTXS)

Tempur Sealy (TPX)

Dish Network (DISH)

Bearish Put Flow

Atlassian (TEAM)

Zebra Tech (ZBRA)

Camping World (CWH)

FlowServe (FLS)

Home Depot (HD)

Large Spread Trades

MAN, August \$85/\$75 put spread
1,500X

PM, 4500 August \$90/\$95 call
spreads

AXP, 3000 August \$125/\$120 put
spreads

ILMN, 750 December \$300/\$270
put spreads

DPZ, September \$250/\$270/\$290
call butterfly

Extras

Monster Beverage (MNST) falls as 38,000 January \$50 puts are bought up to \$1.15

CBRE Group (CBRE) with 31,000 December \$45 puts opening up to \$1.10 late day as we see some unusual large put blocks

Hasbro (HAS) with 36,000 January 2020 \$75 OTM puts opening late for \$1.20

SeaWorld (SEAS) buyer of 1000 August 2nd (W) \$33.50 calls to open \$1.25 to \$1.40, earnings 8-6

Pretium Resources (PVG) block of 3000 December \$13 calls opened \$0.80

LAM Research (LRCX) spread sold 1000 October \$200 puts for \$13.35 and bought 1,500 November \$200 puts \$15.94

Gossamer Bio (GOSS) unusual size trading yesterday as 3,250 November \$22.50 calls bought \$2.70 to \$2.75 to open. Later another 3,000 were bought for \$2.90, over 6250 total on the day. GOSS has very little open interest. Shares have been rangebound since its debut in February between \$24 and \$16 and putting in a hammer reversal yesterday off of trend support from the April lows as well as cloud support. The recent channel has a target back to the recent highs while MACD and RSI back near optimal entry levels. The \$1.32B company debuted earlier this year and trades 2.75X cash with a number of early-stage assets. GOSS has exposure to immunology, inflammation, and oncology with three clinical trials ongoing and four initiations planned over the next 18 months. Their main asset is GB001, a DP2 antagonist for the treatment of eosinophilic asthma. They expect Phase 2 interim results in early 2020. The treatment is a DP2 antagonist which looks to block the interaction which causes inflammation in the lungs. The LEDA study is aiming to control severe exacerbations. Other programs include Chronic Rhinosinusitis, Spontaneous Urticaria, and Pulmonary Arterial Hypertension. Analysts have an average target for shares of \$29.25. SVB Leerink starting at Outperform in March with a \$30 PT noting the novel mechanisms being pursued by the company could offer disease modifying activity in major markets, which offer significant room for clinical improvement. Barclays with a \$27 PT and sees GB001 is the primary value driver for GOSS in the severe asthma market which could be offer \$2B-plus in peak sales potential. Evercore has a \$30 PT seeing long-term potential as they build out their pipeline in allergic diseases, PAH, IBD, and oncology. Omega Fund, Hillhouse Capital, Boxer Capital, Artal Group, and Baupoost all notable holders. Short interest is 3.1%.

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
OZK	Bank OZK	\$0.86	\$0.85		\$253.51		
COF	Capital One	\$3.03	\$2.87	\$7,124.00	\$7,012.15	-0.90%	
CHWY	Chewy	-\$0.08	-\$0.07	\$1,108.87	\$1,108.94	45.20%	FY Above
CRWD	CrowdStrike	-\$0.47	-\$0.48	\$96.10	\$95.60	103.20%	FY Above
ETFC	E*TRADE	\$1.12	\$1.10	\$685.00	\$751.35	-3.50%	
EXPO	Exponent	\$0.39	\$0.33	\$106.50	\$95.77	11.40%	

ISRG	Intuitive Surgical	\$3.25	\$2.87	\$1,099.00	\$1,031.97	20.90%
MRTN	Marten Transport	\$0.28	\$0.27	\$212.10	\$208.45	7.70%
MSFT	Microsoft	\$1.37	\$1.21	\$33,717.00	\$32,797.23	12.10%
SKX	Skechers USA	\$0.49	\$0.33	\$1,258.57	\$1,228.27	10.90%

CRWD – Beat on EPS and Revenues – "We are pleased with the strong start to the year. We achieved 103% year-over-year revenue growth in the first quarter, which is consistent with the preliminary results that we shared in our IPO prospectus. As the pioneer of cloud native endpoint security, CrowdStrike provides the only endpoint protection platform built from the ground up to stop breaches, while reducing security sprawl with its single-agent architecture," said George Kurtz, CrowdStrike's co-founder and CEO.

ISRG – Beat on EPS and Revenues – Worldwide da Vinci procedures grew approximately 17% compared with the second quarter of 2018, driven primarily by growth in U.S. general surgery procedures and worldwide urologic procedures. The Company shipped 273 da Vinci Surgical Systems, an increase of 24% compared with 220 in the second quarter of 2018. The Company grew its installed base to 5,270 systems as of June 30, 2019, an increase of 13% compared with 4,666 as of the end of the second quarter of 2018.

MSFT – Beat on EPS and Revenues – Revenue in Intelligent Cloud was \$11.4B and increased 19%. Server products and cloud services revenue increased 22%, driven by Azure revenue growth of 64%. Enterprise Services revenue increased 4%. "It was a record fiscal year for Microsoft, a result of our deep partnerships with leading companies in every industry. Every day we work alongside our customers to help them build their own digital capability - innovating with them, creating new businesses with them, and earning their trust. This commitment to our customers' success is resulting in larger, multi-year commercial cloud agreements and growing momentum across every layer of our technology stack," said Satya Nadella, CEO of Microsoft.

Earnings Before the Open

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AXP	American Express	\$2.07	\$2.02	\$10,840.0	\$10,824.68	8.4%	
ALV	Autoliv	\$1.38	\$1.44	\$2,155.00	\$2,147.13	-2.60%	Lowers FY
BLK	BlackRock	\$6.41	\$6.59	\$3,524.00	\$3,571.90	-2.20%	
CFG	Citizens Financial	\$0.96	\$0.94		\$1,616.44		
CLF	Cleveland-Cliffs	\$0.63	\$0.52	\$697.40	\$624.23	3.80%	Affirms FY
GNTX	Gentex		\$0.40		\$462.65		
KSU	KC Southern		\$1.61		\$704.55		
MAN	Manpower	\$2.11	\$2.00	\$5,373.0	\$5,412.54	-5.0%	Q3 Below
NVR	NVR		\$44.87		\$1,749.27		
RF	Regions Fincl	\$0.37	\$0.39	\$1,436.00	\$1,488.82	-0.10%	

SLB	Schlumberger	\$0.35	\$0.35	\$8,269.00	\$8,109.54	-0.40%	
SXT	Sensient	\$0.81	\$0.83	\$339.20	\$361.20	-6.60%	
STT	State Street		\$1.40		\$2,862.13		
SYF	Synchrony Financial	\$0.97	\$0.96		\$3,395.89		

Earnings Preview

Lennox (LII) will report earnings on Monday before the open with the Street looking for \$4.14 on \$1.15B in sales, a modest decline Y/Y. Next quarter is looking at \$3.68 and \$1.07B while the FY is \$12.30/\$3.89B. Shares have closed higher four of the last six with an average closing move of 1.5%. The straddle is pricing in a 4.5% move. 30-day IV is 25.3% and in the 76th percentile of its yearly range. Skew is bearish at 20.3% vs 15.1%. The \$11.13B company trades 22.2X earnings, 2.9X sales, and 48.3X FCF with a 1.07% yield. LII sees EPS growth slowing in FY20 and FY21 while revenue growth slowing to 1.4% in FY21. LII lowered their FY outlook in April with weakness in Commercial and Refrigeration. They saw headwinds from labor inefficiencies and factory productivity weighing on margins while lower volumes and mix also negatively impacted them. LII pushed a lot of expectations for growth into the 2H forecasting improvement in pricing and easing impact from tariffs. LII was positive going into Summer that macro headwinds would ease driving a spending improvement while the NA HVAC market could continue to grow. In June at the William Blair Growth conference they set 2021 targets of \$4.3B in sales, a 6% CAGR, and 30% incremental margins. Analysts have an average target for shares of \$252 with 1 buy rating, 9 hold, and 4 sell ratings. JP Morgan downgrading to Underweight on 7-8 with a \$231 PT. The firm thinks LII's standing premium to implied HVAC multiples at soon to be pure play peers seems overdone. The firm prefers IR and UTX and thinks the emergence of pure plays dilutes LII's scarcity value. UBS cutting to Sell in May citing peak multiple on peak growth. CSFB with a \$282 PT and Neutral rating. They see risks from a construction slowdown, overestimating replacement demand (80% of Resi sales), and industry consolidation. Short interest is 7.2% and up from around 4.25% in January. Hedge Fund ownership fell 15.25% last quarter. Atlanta Capital, Riverbridge Partners, and Bishop Rock top holders.