

MARKET BLITZ – July 3rd, 2019

Prepared Exclusively for OptionsHawk.com

TOP STORIES

- Gold Trades Above \$1,400 on Rising Demand, Risk-Off Appetite
- Euro-Zone Business Stays Somber as ECB Plans for More Stimulus
- South Korea Cuts Growth, Inflation Forecasts
- Weekly Mortgage Applications Stall as Rates Take a Respite

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2987.25 (7.75)	10.44
Nasdaq	7867.25 (29)	41.43
Dow	26852 (55)	73.32

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7616.55	0.76%
DAX	12609.75	0.66%
Nikkei	21638.16	-0.53%
Hang Seng	28855.14	-0.07%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
	Motor Vehicle Sales	
8:15	ADP Employment	
8:30	Industrial Trade	
8:30	Weekly Claims	220K
9:45	PMI Services	
10:00	Factory Orders	-0.7%
10:00	ISM Non-Manufacturing	55.9
10:30	EIA Petroleum	

FOREX

EUR/USD	1.1297 (0.12%)
USD/JPY	107.66 (-0.20%)
USD/CAD	1.31 (-0.03%)
GBP/USD	1.2574 (-0.14%)
USD	96.24 (-0.04%)

COMMODITY

Oil	56.77 (0.92%)
Natural Gas	2.258 (0.80%)
Gold	1428.8 (1.48%)
Copper	2.6605 (-0.13%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.01 (-7.47%)
Nasdaq	VXN	16.55 (-6.46%)
Oil	OVX	37.60 (4.58%)
Gold	GVZ	15.75 (11.86%)

MARKET OUTLOOK

Futures are indicating a higher open for the session ahead of the US holiday. The 10-year yield hit a new two-year low as the odds of more global easing rose. Gold continued its big move up over 1.35% and briefly testing the June highs. The President has nominated two more to the Fed Board overnight including Judy Shelton who thinks the Fed should cut rates and has advocated for a return to the gold standard in the past. On the trade front, the US is now targeting Vietnam with tariffs as they expand their trade war. Commerce Dept. is looking to impose tariffs on Vietnamese steel imports. Some major tech companies like HP, Dell, Microsoft and Amazon are all considering moving production out of China as a result of tariffs.

Asian markets fell overnight with the Nikkei down over 50 bps on some profit-taking pressured by a stronger yen. It remains not far from two-month highs. Autos were a weak spot this morning with **Nissan** down 2% while **Mitsubishi**, **Mazda**, and **Honda** down 1.5%. **Fast Retailing** jumped 2.7% after better SSS from Uniqlo. China Caixin Services PMI fell in June to 52.0 vs 52.6 forecast.

European markets are strong this morning and trading up to two-month highs. Sentiment is positive after the EU picked IMF head Lagarde to lead the ECB and replace Mario Draghi. Yield was in favor early today with high-dividend stocks like **AB InBev (BUD)**, **British Tobacco (BTI)**, **Unilever (UN)**, and **Diageo (DEO)** in focus. **Henkel** rose 2% after an upgrade. Eurozone services PMI came in better than expected at 53.6 vs 53.4 in June. Composite PMI rose to 52.2 vs 52.1. German Services PMI rose to 55.8 vs 55.6. French and Spanish services PMI also beating forecasts.

Delta (DAL) in focus today with Stephens starting at Overweight, \$70 PT. The U.S. passenger airline market is solidly outperforming the doom and gloom expectations that many had at the start of the year and Delta's fare momentum, cost controls and recently extended co-branded credit card agreement as reasons for their bullish view.

S&P TECHNICALS

Levels: Support 2,850/2,800; Resistance 2,975/3,000



3476 Advancing	Declining 3806
45.3%	49.6%
287 New High	New Low 99
74.4%	25.6%
4741 Above SMA50	Below 2848
62.5%	37.5%
4479 Above SMA200	Below 3110
59.0%	41.0%

KEY EVENTS TO WATCH

Tomorrow... markets closed to observe Independence Day

Friday... Employment Situation at 8:30 AM; **Conferences:** ESMO Gastrointestinal Conference (AMGN, CELG, LLY, MRK)

ANALYST ACTION/COMMENTS

Gol Linhas (GOL) upgraded to Buy at Goldman

Barrick (GOLD) upgraded to Outperform at BMO

Cinemark (CNK) upgraded to Buy at Loop Capital

Lat Am Air (LTM) downgraded to Sell at Goldman

Domtar (UFS) downgraded to Sell at BMO Capital

Inogen (INGN) downgraded to Sell at JP Morgan

Newmont (NEM) downgraded to Neutral at BMO

Kirkland (KL) downgraded to Neutral at Scotiabank

Shell (RDS.A) downgraded to Neutral at BNP Paribas

Merck (MRK) initiated Buy at Mizuho, \$97 PT

L3Harris (LHX) initiated Buy at Vertical

First Horizon (FHN) initiated Overweight at Piper

Bandwidth (BAND) initiated Overweight at JP Morgan

Benefit Focus (BNFT) initiated Neutral at JP Morgan

Marker (MRKR) initiated Outperform at OpCo

Delta (DAL) initiated Buy at Stephens, \$70 PT

SunTrust expects in-line Q2 results for **Netflix (NFLX)** with upside to Q3

Mizuho more cautious on **Jazz's (JAZZ)** Sunosi after last night's update

Pinterest (PINS) e-commerce capabilities a source of upside, says Nomura

MEDIA HIGHLIGHTS

Facebook (FB) under scrutiny by EU antitrust regulators, Bloomberg

Broadcom (AVGO) in advanced talks to buy **Symantec (SYMC)** - Bloomberg

Vale (VALE) is being investigated over dam collapse with a focus on knowledge of executives. WSJ

HP (HP), Microsoft (MSFT), and Dell (DELL) aim to move production out of China. Nikkei

Deutsche Bank (DB) is in talks with **Citigroup (C), BNP Paribas** over sale of its equity unit. WSJ

Wal Mart (WMT) could have losses of \$1B for US E-commerce unit; Co. has discussed sale of Bonobos. Vox

Sainsbury Sales Fall in First Quarter Since Asda Deal Collapsed – Bloomberg

GSK's HIV drug receives EU marketing nod – Reuters

Thomas Cook Will Struggle to Drum Up Sale Interest - Skift

Amazon (AMZN) acquisition pace may slow amid government scrutiny, WSJ

Leonardo CEO says weighing joint bid for **Maxar (MAXR)** MDA division – Reuters

STOCK SPECIFIC NEWS OF NOTE

Tesla (TSLA) produces 87,048 vehicles, delivers 95,200 vehicles in Q2

U.S. places duties on steel from Vietnam originally made in SK, Taiwan (**X, STLD, NUE**)

Genentech says Phase III MINISTONE-2 study met primary endpoint

Insys Therapeutics (INSY) announces FDA acceptance of naloxone nasal spray NDA

CBRE Group (CBRE) plans to acquire the U.K.'s Telford Homes for \$336.9M

Omnova Solutions (OMN) to be acquired by Synthomer plc for \$824M cash

Canopy Growth (CGC) Co-CEO Bruce Linton to step down

KKR Acquires Corel Corporation from Vector Capital

Usana (USNA) cuts FY outlook

Class 8 net orders fall 69% in June to 13,000 units (**CMI, PCAR, NAV**)

PRE-MARKET MOVERS

Moving Higher: SYMC 19%, TSLA 7%, BUD 2.9%, BTI 2.1%, AG 1.8%

Moving Lower: AVGO -4.2%, CGC -3%

INSIDER TRADING (Form 4 Filings)

Buying: PLAY, GEF

Selling: ADI, BRAM, ENV, KR, MKC, CTXS, SNX

POTENTIAL SYMPATHY TRADES

CHKP, FTNT, FEYE, PANW – on SYMC potential deal

OPTION HIGHLIGHTS (Prior Day)

Beigene (BGNE) with another 500 August \$155 calls bought today for \$3.50, spot where 500 were bought yesterday and unusual size for the name without much notable open interest. Shares traded as high as \$220 in early 2018, a massive run from its debut in late 2016 around \$20 and pulled back to the 50% Fibonacci of the move this year. BGNE is forming a big weekly wedge under \$138 with MACD turning positive and RSI coiled. The \$7.62B biotech trades 31X sales and 4.7X cash with limited debt. The China-based company has a number of partnerships and Chinese rights to key drugs like Revlimid and Abraxane. They are still years away from profitability but see revenue growth of 18.9% in FY20 and 124.4% in FY21. BGNE is benefitting from China's drive to become a major player in the biotech sector after regulatory changes in 2016/2017 have driven lots of investor money into the space. China's government has also identified pharma as a key area of growth as they shift away from manufacturing. BGNE has two key late stage assets: zanubrutinib and tislelizumab, both with data expected in 2019. The former is a potentially best-in-class BTK inhibitor to treat leukemia and mantle cell lymphoma. The company sees zanu as a potentially \$13.5B drug worldwide by 2025 given its range of indications. The latter asset is a PD-1 inhibitor being examined in trials in lung, liver, and gastric cancers. They see a potential \$12B market in China alone by 2025. Analysts have an average target for shares of \$186.50. Piper positive on 6-20 noting that the combo's activity in chronic lymphocytic leukemia/small lymphocytic lymphoma and Hodgkin's lymphoma "promising." Bernstein has a \$201 PT for shares. Short interest is 6.2% and rising in 2019 from around 2.5%. Hedge Fund ownership fell 0.5%. Baker Bros are the top holder with 10.5% of their portfolio and 11.95M shares. Hillhouse, Orbimed, and Polar Capital all top holders as well.

AFTER HOURS MOVERS

Gainers: SYMC 22%, TSLA 7%, ATEN 5.5%, SLCA 5%, FEYE 2.9%, BYD 2.5%

Losers: CODA -8.5%, AVGO -4%, WW -3.5%

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.65	Cautious
CBOE Index Put/Call Ratio	1.16	Cautious
CBOE Skew Index	118.12	Low
VIX Curve	Contango	Normal
CNN Fear & Greed Index	50	Neutral
NYMO	31.31	Neutral
NYSE New Highs	164	Strong
McClellan Summation	591.89	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

TRADE

WEEKLY TECHNICAL BREAKOUT

DIS:



Disney (DIS) shares are consolidating in a small bull flag above the 20-day MA and under the April highs made after the Disney+ announcement. A breakout above \$142.50 targets \$147 in the near term while \$155 the upside target from the May base.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Aspen Tech (AZPN)

Price: \$124.28

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: AZPN is a \$8.63B software company with a focus on asset optimization software. They have a number of end-markets like energy, engineering and construction. Their E&C customers showed net growth last quarter for the first time in three years with engineering and construction businesses improving and double-digit growth in manufacturing.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

VMW:



VMWare (VMW) shares are consolidating in a bear flag above the 200-day MA and key support at \$167. A breakdown targets \$157 and the February breakout level while RSI is weakening after a bounce.

PAIR TRADE OF THE WEEK

Industry: Packaging

Long/Short: Long **Crown Holdings (CCK)**, Short **Tupperware (TUP)**

Analysis: CCK is seeing better demand from a more robust beverage can market while Pepsi's recent shift to move Aquafina into cans may be a sign the industry is working away from plastics. TUP is seeing slower growth and lowering their FY outlook recently given greater FX headwinds.

SMALL CAP TRADE OF THE WEEK

Seacor (CKH) is a \$856M company focused on marine services. They operate a fleet of offshore support vessels serving the oil and gas sector. Shares trade 19.88X earnings, 1X sales, and 4.9X cash with 26.5% EPS growth. CKH sees growth through FY21 driven by a turnaround in charter rates, higher freight prices, and increase utilization for barge pools. CKH sees limited analyst coverage.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Skyline (SKY)	Qurate (QRTEA)	Melinta (MLNT)
Barnes and Noble (BKS)	Howard Hughes (HHC)	Maxar (MAXR)
Carlyle (CG)	Boyd Gaming (BYD)	Lannett (LCI)
Dova Pharma (DOVA)	Brunswick (BC)	Nio (NIO)
Maxar (MAXR)	Estee Lauder (EL)	Yelp (YELP)
Red Robin (RRGB)	Acuity (AYI)	Overstock (OSTK)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
McEwen (MUX)	Arcos Dorados (ARCO)	Fuel Cell (FCEL)
Carlyle (CG)	Brunswick (BC)	Greenbrier (GBX)
AstraZeneca (AZN)	US Ecology (ECOL)	Beyond Meat (BYND)
Evolent (EVH)	Acorda (ACOR)	Shopify (SHOP)
Syndax Pharma (SNDX)	Global Blood Corp (CO)	Gamestop (GME)
NCR Corp (NCR)	Estee Lauder (EL)	Altaba (AABA)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Mattel (MAT)	Bed Bath (BBBY)	Intra-Cellular (ITCI)
Boyd Gaming (BYD)	Oracle (ORCL)	Deciphera (DCPH)
Marathon (MPC)	Tesla (TSLA)	Zynerba (ZYNE)
Nio (NIO)	Micron (MU)	Overstock (OSTK)
Kroger (KR)	Beyond Meat (BYND)	Uniqure (QURE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
Kroger (KR)	Chesapeake (CHK)	Brunswick (BC)
Qurate (QRTEA)	Bed Bath (BBBY)	Estee Lauder (EL)
Silver (SLV)	Kraft (KHC)	Acuity (AYI)
Marathon (MPC)	BP (BP)	Carlyle (CG)
Facebook (FB)	Aarons (AAN)	Dova Pharma (DOVA)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Cracker Barrel (CBRL)	Uniti (UNIT)	FIVE, August \$125/\$135 call spread 300X600
Citi (C)	Chemours (CC)	EL, 2000 January \$175/\$160 bull put spreads
Irobot (IRBT)	Abercrombie (ANF)	PAGS, 2000 July \$40/\$35 collars
Etsy (ETSY)	Aerofjet (AJRD)	RTN, 600 June 2020 \$200/\$250 call spreads
Chevron (CVX)	Caterpillar (CAT)	SKY, 1,500 August \$28/\$33 call spreads

Extras

Aaron's (AAN) strong name in Retail seeing spreads sell 2500 August \$70 calls to buy the \$60/\$55 put spreads, likely protective in a strong trend name

Dell Tech (DELL) closing strong and 1,000 August \$55/\$60 call spreads bought for \$1.08, name with size October call open interest

Boyd Gaming (BYD) tight flag on its 200 MA and a late trade opens 4000 December \$31/\$24 bull risk reversals at \$0.35

Cracker Barrel (CBRL) afternoon buys of August \$175 calls at \$2.40 for 550X after September call spreads earlier in the session

Carlisle (CSL) unusual opening buy 500 August \$140 calls \$5.25

Brown & Brown (BRO) unusual opening buys 1200 September \$35 calls \$0.75 to \$0.90

Square (SQ) stock replacement opened 2000 January 2021 \$115 calls at \$4.50

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
ISCA	Int'l Speedway	\$0.36	\$0.39	\$168.10	\$178.99	-2.10%	
JEF	Jefferies	\$0.41	\$0.37	\$1,101.70	\$1,012.00	20.90%	
OMN	Omnova Solutions		\$0.21		\$210.55		

Open Interest Radar

LivePerson (LPSN) shares consolidating in a multi-month bull flag just above the 20-week EMA and under \$30 after a big move higher to start the year. LPSN has notable bullish open interest including 1,000 July \$30 calls, 825 October \$30 calls bought in March and the OTM October \$35 calls with over 3,000 from buyers on 5-2 and 5-15. A move over \$30 and out of this narrow range targets \$35 but longer-term trend continues out above \$40. Weekly MACD and RSI are both back off of recent highs and turning back higher, ready to run. The \$1.81B company trades 7.6X cash and 6.8X EV/sales. The company sees making \$0.25/share in FY21 after losing around \$0.10 this year with revenue growth of 19% and 18.6%. LPSN is building a leading AI-powered enterprise platform for Conversational Commerce. The company helps businesses communication with patrons via automated chat, web apps, and social media platforms. LPSN sees a \$60B go-to-market opportunity spread across enterprise, mid-market, and small business. They've seen exponential growth on their platform since launch in 2016 with 2M conversations in year-one up to 20M in year-two. They have long-term goals of 25% revenue growth and 15% Adj. EBITDA. Analysts have an average target for shares of \$32 with 13 buy ratings. Jefferies with a \$36 PT seeing LPSN well positioned to benefit from consumers' increasing preference for engaging with brands via messaging, which is driving the rise of "conversational commerce. Piper has a \$39 PT as the secular shift of voice to messaging to artificial intelligence is both "real and massive," and as an early mover with legacy roots and advantages, the company will benefit greatly. Short interest is 5.9% and up from 2% in late October. Hedge Fund ownership rose 15%. RGM Capital, Polar Capital, and Vista Equity partners notable holders