

TOP STORIES

- Global Stocks Fall as Prospects of Aggressive Fed Rate Cut Recede
- Trump Jawbones Fed Again, May Be Grooming Powell Successor
- Deutsche Bank Outlines Radical Reboot
- BOJ's Kuroda: Will Maintain Easing As Long as Necessary
- Iran's Uranium Enrichment Breaks Nuclear Deal Limit Set in 2015

INDEX FUTURES

Futures	Change	Fair Value
S&P 500	2983.5 (-7)	-10.71
Nasdaq	7816.25 (-35)	-50.05
Dow	26819 (-66)	-101.12

GLOBAL INDICES

INDEX	CLOSE	CHANGE
FTSE	7547.96	-0.07%
DAX	12538.55	-0.24%
Nikkei	21534.35	-0.98%
Hang Seng	28331.69	-1.54%

ECONOMIC CALENDAR

TIME	INDICATOR	CONSENSUS
3:00	Consumer Credit	

FOREX

EUR/USD	1.1216 (-0.07%)
USD/JPY	108.53 (0.07%)
USD/CAD	1.3066 (-0.07%)
GBP/USD	1.2525 (0.02%)
USD	96.92 (0.03%)

COMMODITY

Oil	57.43 (-0.14%)
Natural Gas	2.425 (0.29%)
Gold	1406.8 (0.48%)
Copper	2.6825 (0.81%)

VOLATILITY INDICES

INDEX	SYMBOL	CLOSE
S&P	VIX	13.28 (5.65%)
Nasdaq	VXN	16.47 (1.98%)
Oil	OVX	34.70 (-5.50%)
Gold	GVZ	15.07 (-5.16%)

MARKET OUTLOOK

Futures are indicating a lower open for the morning after the stronger jobs report on Friday dampens the outlook for an aggressive rate cut. Deutsche Bank outlined a radical restructuring this weekend including 18,000 job cuts, exiting the equities business, and halting the dividend for two years. The company is looking to a turnaround after years of underperformance. The President continues to lash out publicly against the Fed to lower interest rates. The continued talk comes as Jerome Powell will testify this week ahead of Congress. Morgan Stanley turning bearish on global stocks cutting their allocation to a 5-year low and downgrading investing guidance to underweight. They think profit forecasts are too optimistic and hopes for looser monetary policy are too aggressive.

Asian markets fell this morning as hopes for a more aggressive rate cut in the US faded. Japanese machinery orders fell 3.7% in May, better than the 3.9% drop expected. However, this was the worst drop in eight months. The BOJ's Kuroda spoke overnight and said they will maintain easing for as long as needed to hit stable 2% inflation. Financials showed some relative strength today.

European markets are kicking off the week in the red with the DAX near the morning lows. German industrial production slowed again in May while sentiment faltered. Imports were down modestly while exports rose 1.1%. **Deutsche Bank (DB)** rose 4.5% initially this morning after announcing a major restructuring but fading all session and now in the red. Utilities **Energas** and **Naturgy** fell as Spain's regulator looks to cut fixed rates of return.

CrowdStrike (CRWD) in focus today with a number of positive initiations including JPM, RBC, Macquarie, BAML, and JPM. The consensus PT is \$80 with JPM at \$100 seeing the company best positioned to capitalize on the consolidation of endpoint with its technology advantage and experienced management team.

S&P TECHNICALS

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



3402 Advancing	Declining 3816
44.3%	49.7%
243 New High	New Low 66
78.6%	21.4%
5102 Above SMA50	Below 2487
67.2%	32.8%
4629 Above SMA200	Below 2960
61.0%	39.0%

KEY EVENTS TO WATCH

Economic Data on Tuesday, Jerome Powell speaks, NFIB Small Business Optimism, James Bullard Speaks, JOLTS, and Randal Quarles Speaks.

Earnings on Tuesday Before the Open: LNN, PEP;
Earnings Tuesday AMC: HELE, KSHB, WDFC

ANALYST ACTION/COMMENTS

Amneal Pharma (AMRX) upgraded to Overweight at Piper

Edgewell Personal (EPC) upgraded to Buy at SunTrust

Johnson Controls (JCI) upgraded to Neutral at JP Morgan

Life Storage (LSI) raised to Outperform at Raymond James

Orion Group (ORN) upgraded to Buy at B. Riley FBR

Apple (AAPL) downgraded to Sell at Rosenblatt

Allegion (ALLE) downgraded to Neutral at Credit Suisse

BNY Mellon (BK) downgraded to Underweight at Morgan Stanley

Boot Barn (BOOT) downgraded to Neutral at Baird

Civista Bancshares (CIVB) downgraded to Mkt Perform at Keefe Bruyette

F5 Networks (FFIV) downgraded to Sell at Goldman

Huntington Bancshares (HBAN) downgraded to Underperform at BMO

Lennox (LII) downgraded to Underweight at JP Morgan

MSCI (MSCI) downgraded to Neutral at UBS

NetApp (NTAP) downgraded to Sell at Citigroup

SVB Financial Group (SIVB) downgraded to Mkt Perform at Keefe Bruyette

State Street (STT) downgraded to Underweight at Morgan Stanley

Verizon (VZ) downgraded to Neutral at Citigroup

Cabot Micro (CCMP) initiated with a Buy at Goldman

CrowdStrike (CRWD) initiated with a Buy at Needham, PT \$80; initiated with an Overweight at Piper Jaffray, PT \$75; initiated with an Overweight at Barclays, PT \$80; initiated with a Buy at Stifel, PT \$80; initiated with a Buy at Mizuho, PT \$80

Jagged Peak Energy (JAG) initiated with an Overweight at Piper Jaffray, PT \$11

MEDIA HIGHLIGHTS

Boeing (BA) loses Max aircraft deal to rival **Airbus** -WSJ

U.S. clears **Softbank** investment in **General Motors (GM)**-backed Cruise – Reuters

Broadcom (AVGO) Is Said to Progress on **Symantec (SYMC)** With Financing, Savings – Bloomberg

WeWork to Raise Up to \$4B in Debt Ahead of IPO -WSJ

Investors quitting active funds at faster rate – FT

Alibaba (BABA) cements its position as China's No. 1 e-commerce player – Nikkei

Gray Television (GTN) well placed for U.S. election ad deluge -Barron's

Equinor to sell 16% shares it holds in **Lundin Petroleum** for about \$1.56B – Reuters

The U.S. Is Overflowing With Natural Gas. Not Everyone Can Get It. **(UNG)** – WSJ

Plan on More Pharma Megamergers **(GILD, BIIB)** – WSJ

Copper an Outlier as Most Markets Rebound on Trade, Concerns Remain **(FCX)** – WSJ

Google (GOOGL) joins **Dish (DISH)** in talks to create 4th mobile carrier - NY Post

P&G's (PG) Ventures unit looks to challenge Raid's hold on pest control – WSJ

Barrons positive **BAC, BWA, CPRI, CBS, DAL, GS, LEN, KR, PVH, URI, CVS, TSLA, DISH, MU, FAST, GPS;** cautious **GME, JCP, TLRD, APRN**

STOCK SPECIFIC NEWS OF NOTE

Deutsche Bank (DB) to exit Global Equities as part of restructuring, sees €7.4B in charges; **DB** board to recommend no dividend in 2019/2020; **DB** targets leverage ratio of 4.5% by 2020 YE; **DB** to cut workforce globally by 18k

Sangamo (SGMO), Pfizer (PFE) announce updated Phase 1/2 Alta study results for SB-525

uniQure (QURE) announces follow-up data from Phase IIB study of AMT-061, AMT-060

Crane (CR) raises all-cash purchase price to acquire **Circor (CIR)** to \$48.00 per share

Encana (ECA) to sell **Arkoma Basin** natural gas assets for \$165M

ITT to acquire Matrix Composites, accretive in first year

Inspire Medical (INSP) announces United Health coverage

PRE-MARKET MOVERS

Moving Higher: SGMO 15%, SYMC 5.6%, CBIO 2.4%

Moving Lower: AAPL -1.6%, BA -1.5%, DB -1.5%

INSIDER TRADING (Form 4 Filings)

Buying: CUK, CCL, KKR

Selling: GDDY, COST, ZGNX, SWKS, ARAY, TTD, NEM, RL, PFPT, ENV, ADP, RMD, HDS, RNG

POTENTIAL SYMPATHY TRADES

OPTION HIGHLIGHTS (Prior Day)

Paychex (PAYX), a rate sensitive name, seeing 2600 July \$85 calls bought \$0.65 to \$0.80 early as Financials lead higher. Call volume is now approaching 5000X in the opening 15 minutes up to \$1.05 with IV30 sharply higher by 17.5%. PAYX has previously seen bullish positioning in September, December and January OTM calls. The \$30B human resources, retirement and insurance services Co. for small and medium sized businesses trades 25.35X Earnings, 8X Sales, and yields a 2.93% dividend. Forecasts call for 10% revenue growth and 8.7% EPS growth this year. The company has seen strength in their PEO business and announced a \$1.2B deal for Oasis in November which will boost their scale to more than 1.4M worksite employees. PAYX has had issues with margin contraction recently but reduced investment spending last quarter has driven improvement and is expected to continue this year. Analysts have an average target of \$81 on shares and short interest low at 3.6% of the float. PAYX reported weaker than expected numbers on 6/26 and guided FY20 below the Street. BAML cut shares to Underperform on valuation on 6/26 with an \$82 target noting shares have benefited from investor rotation related to falling 10-year yields. Most of the Street is at Hold or Sell ratings. Hedge Fund ownership fell 24% in Q1 filings, Select Equity the only notable concentrated holder as its 10th largest position.

AFTER HOURS MOVERS

Gainers:

Losers:

MARKET SENTIMENT / INTERNALS

INDICATOR	READING	SIGNAL
CBOE Equity Put/Call Ratio	0.653	Rising – Cautious
CBOE Index Put/Call Ratio	1.15	Declining
CBOE Skew Index	126.66	Rising
VIX Curve		
CNN Fear & Greed Index		
NYMO	30.75	Moderately Extended
NYSE New Highs	92	Neutral
McClellan Summation	725.81	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

WWD:



Woodward (WWD) shares are consolidating in a weekly bull flag under \$117.5 with a breakout targeting \$125/\$130. The 8-week EMA has been supportive each of the last seven weeks and starting to slope higher again. MACD is nearing a bullish crossover.

FUNDAMENTAL TRADE OF THE WEEK

Stock: Qualys (QLYS)

Price: \$88.4

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: Qualys (QLYS) is a \$3.4B software company which trades cheap at 11X EV/sales and 11X cash with limited debt. They expect 15% and 20.9% EPS growth through FY21 with sales growth of 16.4% and 18.5%. The company focuses on security and compliance solutions for IT that is seeing strong tailwinds from growth in big data and analytics in enterprise. Nomura recently starting at Buy with a \$108 PT behind their "industry-leading" margin profile along with "attractive" growth.

IDEAS

WEEKLY TECHNICAL BREAKDOWN

RARE:



Ultragenyx (RARE) shares are breaking down out of a bear flag after a weak trend from April to June. Shares rebounded back to cloud resistance and have room back to recent lows around \$55 and then the early January range. MACD is back around zero and nearing a bear crossover while RSI is weakening.

PAIR TRADE OF THE WEEK

Industry: Lithium

Long/Short: Long **Albemarle (ALB)**, Short **Sociedad Quimica (SQM)**

Analysis: SQM is facing headwinds from their high-exposure to current lithium spot prices while increased spending will put more pressure on the balance sheet. ALB is better focused on high-return projects while long-term contracts for lithium help give ALB lower-costs and set them apart from peers.

SMALL CAP TRADE OF THE WEEK

Turning Point Brands (TPB) is a \$988M producer of tobacco product in the US. They also have smokeless and e-cigarettes, the latter a big area of interest. The company is in the early stages of rolling out their CBD product which will give them entrance into a massive market. In May, an insider bought stock around \$50.50.

DAILY OPTIONS REPORT

<u>Unusual Call Activity</u>	<u>Unusual Put Activity</u>	<u>Implied Volatility Riser</u>
Toronto Dominion (TD)	Karyopharm (KPTI)	Overstock (OSTK)
Magellan (MGLN)	Henry Schein (HSIC)	Weight Watchers (WW)
Karyopharm (KPTI)	Deciphera (DCPH)	Gamestop (GME)
NY Times (NYT)	Retrophin (RTRX)	Moderna (MRNA)
Deciphera (DCPH)	Horizon (HZNP)	Zillow (Z)
Paychex (PAYX)	Centerpoint (CNP)	Intra-Cellular (ITCI)
<u>Lowest Put/Call Ratio</u>	<u>Highest Put/Call Ratio</u>	<u>Implied Volatility Decliner</u>
Opko (OPK)	Sociedad (SQM)	Melinta (MLNT)
Toronto Dominion (TD)	Celestica (CLS)	Eros International (EROS)
Avon (AVP)	Henry Schein (HSIC)	Deciphera (DCPH)
Cambrex (CBM)	Apollo (APO)	NCR Corp (NCR)
Arlo Tech (ARLO)	Iqvia (IQV)	Take-Two (TTWO)
NY Times (NYT)	Illinois Tool (ITW)	Whiting (WLL)
<u>OTM Calls on Offer</u>	<u>OTM Puts on Offer</u>	<u>Elevated IV30</u>
Colgate (CL)	3M Co (MMM)	Intra-Cellular (ITCI)
Zillow (Z)	Dicks Sporting Goods (DKS)	Deciphera (DCPH)
Newmont (NEM)	Nio (NIO)	Zynerba (ZYNE)
NY Times (NYT)	Cenovus (CVE)	Overstock (OSTK)
Cabot Oil (COG)	Nike (NKE)	Uniqure (QURE)
<u>Positive Net Delta</u>	<u>Negative Net Delta</u>	<u>Option Volume Gainers (%)</u>
AT&T (T)	Amarin (AMRN)	Karyopharm (KPTI)
Advanced Micro (AMD)	Ford Motor (F)	Henry Schein (HSIC)
Sprint (S)	Tesla (TSLA)	Deciphera (DCPH)
Foot Locker (FL)	Lyondell (LYB)	NY Times (NYT)
Semi's (SMH)	Silver (SLV)	Paychex (PAYX)
<u>Bullish Call Flow</u>	<u>Bearish Put Flow</u>	<u>Large Spread Trades</u>
Paychex (PAYX)	Intel (INTC)	SPY, 12,000 September \$293/\$286 put spreads
Square (SQ)	XPO Logistics (XPO)	RTRX, 5000 August \$25/\$15 bull risk reversals
Freeport (FCX)	Pan American (PAAS)	MGLN, 2000 July \$75/\$85 call spreads
Illumina (ILMN)	EBAY	EWZ, 20,000 of the \$46/\$49 call spreads vs sale of Sept. \$39 puts
Sony (SNE)	Sociedad (SQM)	QQQ, Aug. \$190 straddle sold to open 10,000X

Stock Specific News and Media

5th Circuit to hear case Tuesday on Affordable Care Act (**XLV, IBB**). The Hill

Ohio has missed deadline to provide support for two nuclear plants (**FE, XLU**). WSJ

Pentagon will award cloud computing contract next month (**AMZN, MSFT, GOOG, ORCL**). WSJ

Campbell Soup (CPB) execs are trying to restart growth in soup sales. WSJ

Volkswagen aims to create joint ventures for electric battery production. Reuters

China Car Sales Rise for First Time in Year, Helped by Discounts – Bloomberg

Imperial Brands Plans Buyback After Abandoning Dividend Target – Bloomberg

FIS gains unconditional EU okay for \$35B **Worldpay (WP)** buy – Reuters

Online ad growth seen slowing in 2021 to levels since dotcom bubble burst – Reuters

Intra-Cellular (ITCI) announces Study 404 of lumateperone met primary endpoint; Study 401 of lumateperone did not meet primary endpoint

Fly Leasing (FLY) to sell 12 aircraft comprised of Airbus A320s, Boeing 737s

Bruker (BRKR) acquires PMOD Technologies

Sol-Gel (SLGL) says primary, secondary endpoints achieved in Phase 3 trials of Epsolay

Earnings

Ticker	Company	EPS Actual	EPS Estimate	Revs Actual	Revs Estimate	Growth	Notes
AZZ	AZZ	\$0.81	\$0.67	\$289.10	\$277.20	10.30%	

Extras

Foot Locker (FL) seeing a lot of low Delta July calls trade today with 8500 July \$43, 5500 July \$44, and 5000 July \$45. IV30 higher by 14% today

Zillow (Z) moving to highs with 2800 Aug. \$60 calls bought for \$0.55

United (UAL) afternoon buyers of 1000 July \$89 calls to open \$3.55 offer

Anaplan (PLAN) with 500 September \$55 calls opening as the July \$55/\$50 strangles were sold to open as well in the spread

Arista Network (ANET) with 475 Aug. 2nd (W) \$277.5 calls open \$11.25 into the close as weekly \$260 calls adjusted

Earnings Preview

AngioDynamics (ANGO) an interesting small-cap which will report earnings on Wednesday before the Open with the Street looking for \$0.25 on \$92.33M in sales, a 4.5% increase Y/Y. Next quarter is guided to \$0.05/\$67.04M while the FY is \$0.83/\$355.68M. Shares have closed lower in four of the last six quarters with an average closing move of 7.6% and a max move of 16.1%. 30-day IV is 54.2% and in the 98th percentile of its year-long range. The \$752M company trades 80X earnings, 2.14X sales, and 22.6X FCF with 84.3% EPS growth in FY21 and 5.4% revenue growth. ANGO is a med-tech company which focuses on medical and surgical devices used in the treatment of vascular disease and oncology. They have four main products: the AngioVac venous drainage system, BioFlo catheter system, RadiaDyne real-time radiation monitoring system and NanoKnife for ablation of solid tumors. The NanoKnife is their biggest growth driver. The system uses an ablation procedure which directs high-voltage currents towards an infected area to create irreversibly damaged cells. NanoKnife has been used across a number of indications and they see a \$162M addressable market in oncology in ablative solutions across liver, lung, kidney, pancreas and prostate, a space where they have only \$32M exposure. ANGO sees a \$162M target market in radiation therapy and biopsy solutions where they only capture \$5.3M right now. Thrombus Management is also a large opportunity. ANGO has been undergoing a portfolio optimization shift as they divest non-core assets, reduce manufacturing complexities, and sell their NAMIC business. They hope the move will give them more capital to deploy into core growth areas. Their 3-year targets are 6-8% revenue CAGR, 60% gross margins, and \$50M in FCF by 2022. Analyst coverage is limited but two firms keep an average target of \$23/share. Keybank upgraded to Overweight on 4-1. Short interest is 3.8% and down from around 7.5% in October. Hedge Fund ownership fell 18%. Kennedy Capital a top holder. ANGO saw a number of insider buys in mid-2017 around \$15.67/\$16. The CEO bought \$391,750. On the chart, shares are forming a wide base since May around \$19 and back around the 200-MA at \$20.50. The weekly is forming a big channel which measures back to \$22.50. MACD is nearing a bullish crossover while RSI looking to clear a downtrend. ANGO sees little options activity.

Open Interest Focus

National Vision (EYE) shares setting up well back at the 50-day MA and re-test of the prior range breakout at \$29.25 with some unusual size in open interest with 1265 July \$30 calls and 1245 October \$35 calls from buyers. Overall, not much other open interest with just 3,500 options total and 85% calls. Shares are above cloud resistance for the first time since November while a move over the 200-day MA at \$31.85 has a VPOC above at \$34 to target. Longer-term, EYE broke a downtrend in June and forming a double-bottom back near its debut price. The recent range measures up above \$40. The \$2.41B company trades 38X earnings, 1.5X sales, and 33X cash. EYE is targeting 17.5% and 23.2% EPS growth through FY21 with 9.6% and 9.9% revenue growth. EYE is coming off a strong quarter with 6.2% comps, their 69th consecutive quarter of positive comps growth. NVI operates one of the largest optical retailers in the US offering eye exams, glasses, and contact lenses through their America's Best brand. The company has steadily expanded their footprint in the US with over 650 stores opened since 2006. The US optical market is a significant opportunity with a \$36B TAM and growing 3% CAGR. The company is growing margins with more private label frames and contact lenses as well as shifting real estate away from high-rent malls. They are also shifting into more high-margin services like exams and fittings. Analysts have an average target for shares of \$44 with 7 buy ratings and 3 hold. Berenberg started at Buy on 5-29 with a \$38 PT. Loop Capital starting at Hold on 6-14 with a \$26 PT, positive on the

company but not seeing an attractive entry point yet. They feel shares offer a unique and differentiated concept, with multiple growth drivers for its comparable store sales and potential for long square footage growth runway. The firm also thinks EYE is operating in the "very favorable" industry of U.S. optical retailing where sales grew by an annualized 3.1% from 2007 to 2017. Short interest is 8.5% and rising steadily since its debut in late 2017. Hedge Fund ownership rose 8.15%. KKR still owns 9.15M shares while Adage Capital and Element Capital notable holders. EYE saw some smaller open market buys from its COO in 2018 around \$40.50 to \$44.25 while in 2017 he bought \$346,400 in stock at \$22.