



The **S&P 500 (SPX)** closed lower for the week by 1.03% and – amazingly – the worst performance since August after months of melt up as fears of the coronavirus took center stage. We also reversed right at trend resistance from 2011 that had been in focus last week, so not unexpected that we struggled to find willing buyers even before the pandemic fears dragged markets down on Friday. Internals weakened a bit as well and a bearish engulfing candle as well after weeks of narrow moves higher (similar to 5/1/19). MACD has traded up to its highest levels since February 2019 and crossover bearish on Friday while RSI did break the uptrend from October. All of that being true, all three major indices still closed above their rising 20-MA as well as trend support from the October lows (~3,260) and uptrend still intact for now. Some other support areas to focus on below would be the 20-day at 3,274, a VPOC from late-Dec/early-January at 3,240, and then the 23.6% Fibonacci at 3,225.



### Market Sentiment/Breadth

The latest AAI Sentiment survey for the week ending 1/22 showed another rise in bulls, up 3.8%, while neutral sentiment fell 1% and bears were down 2.7%. Bullish sentiment is now well above the long-term average. NAAIM Exposure rose slightly to 93.75 and remains elevated around an area that has historically been the high-end of the range. Lipper Fund flows has a very small \$69M inflow to equities this week but the first positive print of 2020. The 50-day MA of CBOE Equity P/C remains near multi-year lows at 0.55 but began to curl higher late in the week. Index P/C jumped on Friday to 1.59. NYMO closed at -33.8, the first big down week in some time and not quite yet oversold. NYSE Summation fell to 952.05 and cautious signal crossing below the 8-EMA on Friday for the first time since the bull crossover on 12/12. Cumulative AD faded off of new highs as well and below its short-term moving averages for the first time since late November. CNN Fear and Greed fell again this week to 62, “Greed”, and well off of the 91+ readings a month ago. The percentage of S&P stocks above their 50-day MA fell to 67.33% this week, the lowest since 12/5.

## Market Event Outlook

**Monday:** New Home Sales at 10:00; **International Data:** German Business Expectations; **International Earnings:** Tesco; **Earnings Before the Open:** ARLP, ARNC, BOH, DHI, HMST, SALT, SKT; **Earnings After the Close:** ASH, BRO, CR, ELS, FFIV, GGG, HTLF, IBTX, JJSF, JNPR, LRN, NBTB, PKI, RMBS, SANM, SSB, TCF, WSBC, WHR

**Tuesday:** Durable Goods at 8:30, API Crude at 4:30; **International Data:** Russian Retail Sales, Australian CPI; **International Earnings:** Louis Vuitton, SAP, Philips, KONE; **Earnings Before the Open:** MMM, AOS, ALV, CIT, FBP, FBC, GPK, HOG, HCA, LEA, LMT, MKC, NUE, PCAR, PNR, PFE, PHG, PII, POL, BPOP, PHM, SAP, UTX, XRX; **Earnings After the Close:** AMD, ALK, AAPL, BXP, CHRW, CNI, CMRE, EBAY, EQR, FCF, FHB, MTSI, MXIM, MRCY, MSTR, MKSI, MINI, NVR, OSIS, PFG, RGA, RXN, SLGN, SKY, SBUX, SYK, TRMK, UMBF, WRB, XLNX

**Wednesday:** Int'l Trade at 8:30, Pending Home Sales at 10:00, Crude Inventories at 10:30, FOMC Statement at 2:00, FOMC Press Conference at 2:30; **International Data:** New Zealand Imports; **International Earnings:** Telenor, Diageo, Santander, Siltronic, Software AG; **Earnings Before the Open:** ANTM, T, ADP, AVY, BA, EAT, CP, GIB, CVLT, GLW, DOW, DT, EVR, EXTR, FCFS, GD, GE, HES, IR, IVZ, KNX, LFUS, MPC, MKTX, MA, MCD, MPLX, NDAQ, NYCB, NSC, NVS, OSK, PGR, PB, ROK, ROL, RES, SC, SNDR, SMG, SILC, SLAB, SWK, SXC, TROW, TEL, TXT; **Earnings After the Close:** AGNC, ALGN, ALGT, AMP, ADM, AZPN, AXS, AX, BDN, CACI, CLS, CMPR, CRUS, CNMD, CLB, CREE, DLB, DRE, ENVA, ESS, FB, FBHS, HOLX, IEX, ILMN, ISBC, KLIC, LRCX, LSTR, LVS, LM, LLNW, MLNX, MTH, MEOH, MSFT, MAA, MDLZ, MUSA, EGOV, PKG, PYPL, QRVO, SEIC, NOW, TSLA, TTEK, URI, VAR; **Analyst Days:** KMI, GS, TRHC

**Thursday:** GDP at 8:30, Weekly Claims at 8:30; **International Data:** Eurozone Unemployment, German Unemployment, BOE Decision, German CPI, China Manufacturing PMI, China Non-Manufacturing PMI; **International Earnings:** Konami, Volvo, Samsung, H&M, Roche, Shell, Unilver, Christian Dior, Deutsche Bank, Euronav; **Earnings Before the Open:** FLWS, ALXN, ADS, MO, ABC, APO, APTV, AXTA, BIIB, BX, BGG, BC, CRS, CMS, CNXM, CNX, KO, CTVA, CFR, DHR, DOV, DD, LLY, EPD, BEN, GWW, HSY, IP, KIM, KEX, LAZ, MMP, MMC, MDC, MTOR, MIXT, MNRO, MSCI, MUR, NTCT, NOC, PH, DGX, RTN, RFP, ROP, RDS.A, SHW, SPB, SF, TMO, TSCO, TFC, UBSI, UPS, VLO, VLY, VZ, WEC, WCC, WRK, WRLD, XEL; **Earnings After the Close:** AMZN, AMGN, AIV, ARCB, AJG, BZH, EPAY, CPT, CVCO, CE, CACC, DECK, EMN, EW, EA, NVST, FII, FICO, FLEX, HA, LEVI, LPLA, MATW, MTX, MITK, NFG, NATI, OTEX, POWI, PFPT, RMD, RHI, SIGI, SKYW, X, VRTX, V, WDC

**Friday:** Core PCE at 8:30, Personal Spending at 8:30, Consumer Sentiment at 10:00; **International Data:** Eurozone GDP, Eurozone CPI, German Retail Sales; **International Earnings:** Electrolux, BBVA, Caixabank, Ubisoft; **Earnings Before the Open:** ADNT, AON, BERY, BAH, BR, CAT, CHTR, CVX, CHD, CL, XOM, GNTX, HTH, HON, IDXX, ITW, IMO, JCI, KKR, LYB, MAN, PSX, PSXP, PFS, SBSI, VRTS, WY, WETF

## Weekly Open Interest Radar

**Planet Fitness (PLNT)** shares in a narrow flag just below the May/June highs after a strong multi-month rally from earnings in November. The weekly breakout would put shares at all-time highs ahead of a seasonally strong period for shares. PLNT has over 4900 February \$80 calls in OI as well as some smaller OI in the \$75 and \$77.50 calls from buyers.

**Trade to Consider:** Long the **PLNT** February \$80 Calls for \$1.50 or Better

Date	Description	Volume	Open.Int	Price	Delt	Impl Vol	Prob.ITM	Premium Paic
1/21/2020	PLNT 100 21 FEB 20 80 CALL	1,638	820	\$2.18	0.48	25.52%	45.42%	\$360,360
1/7/2020	PLNT 100 21 FEB 20 77.5 CALL	421	163	\$2.25	0.46	24.51%	42.09%	\$94,725
12/26/2019	PLNT 100 21 FEB 20 72.5 CALL	717	215	\$4.55	0.64	26.93%	60.34%	\$329,820
12/15/2019	PLNT 100 15 MAY 20 82.5 CALL	1,000	1	\$1.50	0.41	25.23%	22.12%	\$150,000

## Weekly Options Technical Trade Set-Up

<b>Ticker</b>	CME
<b>Trigger Level</b>	\$210.25
<b>Call/Put</b>	Calls
<b>Strike</b>	\$210
<b>Target</b>	\$212.50
<b>Stop</b>	\$209



## Insider Trade of the Week

**PNC Financial (PNC)** insiders active into weakness following earnings with a director buying 1,000 shares at \$153.11 and follows another \$124k buy in August. Charles Bunch was the chairman and CEO of PPG Industries until 2015. He joined the board at PNC in retirement. PNC has traded well over the last year up 21.45% vs the XLF at 17.84% but pulling back from 52-week highs recently and down around 6% in 2020. The \$66.5B bank trades 11.8X earnings, 1.35X book and 12.8X FCF with over \$55/share in cash. PNC expects to grow EPS by mid-single digits with 2-3% asset growth and improvement in ROE. The company sees 4-5% loan growth in 2020. PNC has been focusing more on growing share in middle-market corporate banking as well as retail banking while also investing in higher-growth strategic initiatives like digital payments. PNC has a significant and underlooked asset in their sizable stake in Blackrock (BLK). The equity interest is \$15.1B and continues to be a nice add-on to revenue growth that sets them apart from peers. PNC has optionality with the stake, especially now that tax rules are more lenient, but likely continues to hold onto it. Short interest is 1.1%. Hedge fund ownership fell 20% in Q3 but buyers from Gillson Capital and Centiva. Analysts have an average target for shares of \$155 with 5 buy ratings and 7 hold. BAML upgrading to Buy with a \$178 on 1-9 and calling the company "the regional bank version of JP Morgan." The firm thinks PNC has a fortress balance sheet and above-peer growth prospects with excess capital return potential. They think the expansion into new markets with higher growth prospects than its legacy footprint drove mid-single-digit loan growth in 2019 and the momentum will continue in 2020.

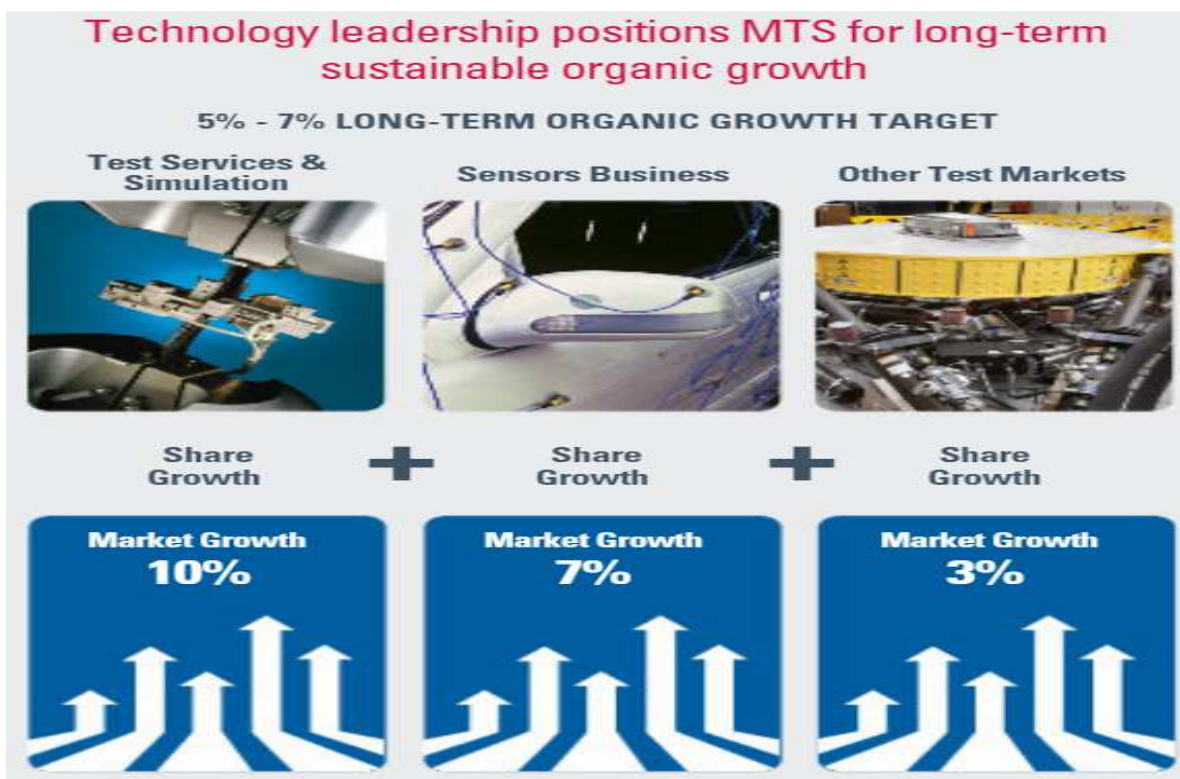
## Earnings Preview

**Stryker (SYK)** will report earnings on 1/28 after the close with the Street looking for \$2.46 on \$4.11B in sales, a 8.2% increase Y/Y. Next quarter is guided to 7% growth while the FY at \$8.23/\$14.86B which would be 9.2% growth Y/Y. Shares have closed lower four of the last six quarters with an average closing move of 3.25% and a max move of 11.4%. Skew is slightly bullish at 7.4% vs 15% with IV elevated at 21.7 and in the 85<sup>th</sup> percentile of its average range. The options are implying a 2.89% move this quarter. The \$79.16B medical-devices company trades 23.72X earnings and 5.44X sales with a 1.07% yield. SYK has a leading position in knees, hips, and spine with significant investments over the past five years in emerging areas like robotics, 3-D printing, and advanced imaging. Extremities like shoulder are a significant area of potential growth with just 6% market share and a deep pipeline of new products hitting the market in 2019. SYK is also fresh off their \$4b deal for Wright Medical (WMGI) which is seen to have integration risks in the near-term but expands their extremities exposure with more focus on elbows, wrist, and ankles. Piper downgraded the stock on 1-7 saying they could not recall the last time a large deal worked in the space right out the gate. Short interest is 1%. Hedge fund ownership fell 7% in Q3. Laurion Capital and Sivik Global notable buyers. Analysts have an average target for shares of \$222.50. BTIG positive on 12-30 with a \$236 PT. The firm was impressed by the company's more immediate results such as MAKO's installed base at 800+ and procedure volumes exceeding 10,000 procedures per month, stating that both metrics are positive. CSFB positive on 1-17 into earnings seeing share gains continuing. "We expect SYK to continue gaining share, driven in large part by implant gains related to continued growth in utilization of the installed base of the MAKO robotic surgery system. We see most of these gains coming at JNJ's and ZBH's expense." They also see robotics numbers remaining strong. SYK has limited options open interest but had a seller of 750 January \$220 puts for \$30.30 on 11-22, a more than \$2.2M position.



## Top 40 Micro Cap

**MTS Systems (MTSC)** is a name that screened well enough to make the top 40 in the annual outlook for micro-cap stocks and shares stuck in a sideways \$45/\$55 range for much of the last four years. The \$1B Company is a supplier of test systems, motion simulators and sensors. MTS is a valued and trusted supplier to worldwide industry leaders in automotive, aerospace, biomedical, civil engineering, motorsports, energy, materials science, industrial automation and mobile hydraulics. MTSC earnings 63% of revenues from Test and 37% from Sensors while EBITDA is closer to 50/50 with Sensors being a higher margin business. MTSC has been shifting its portfolio away from ground vehicle markets into stronger verticals. The Auto industry is clearly seeing headwinds which impacts MTSC's Test segment which has 50% exposure to Ground Vehicles.



MTSC shares trade 18.35X Earnings, 10.6X EV/EBITDA and 47.15X FCF with a 2.3% dividend yield. Revenues grew 14.7% in 2019 and growth seen at 9.5% in 2020 while EBITDA growth of 7% in 2019 seen accelerating to 11-12% growth the next two years. MTSC EBITDA margins have steadily risen to 15.13% in FY19 from 10.98% in FY16. In August MTSC purchased Endevco for \$70M, a leader in new product testing sensors and in November it purchased a Danish engineering firm for \$55M that is a leader in test systems to simulate operating environments from wind turbines and aircraft engine propulsion systems. Its acquisition of E2M in November 2018 has been a good one, a maker of actuation systems serving entertainment and training simulation markets. MTSC management has indicated that 2020 will be a record year for the Sensors business with industrial automation markets picking up and a strong DoD contract business.

MTSC has seen a good amount of insider buying the last two years with multiple insiders purchasing 43,701 shares for \$2.123M at an average net cost of \$48.60/share.

In my view MTSC offers a compelling value/yield for its growth and expect it to emerge higher out of this multi-year basing pattern. It has good management and operates in growing industry with some strong business tailwinds. Its acquisition strategy should also continue to benefit both growth and business mix.

## January 31<sup>st</sup> (W) OpEx Notable Open Interest

Date	Description	Volume	Price	Premium Paid	Date	Description	Volume	Price	Premium Paid
12/31/2019	AAPL 100 (Weeklys) 31 JAN 20 300 CALL	10,674	\$7.25	\$7,952,130	1/8/2020	LK 100 (Weeklys) 31 JAN 20 38 PUT	2,353	\$3.30	\$776,490
1/21/2020	AMZN 100 (Weeklys) 31 JAN 20 1862.5 PUT	1,327	\$44.00	\$5,999,940	1/3/2020	COUP 100 (Weeklys) 31 JAN 20 155 CALL	751	\$10.20	\$766,020
1/6/2020	AAPL 100 (Weeklys) 31 JAN 20 297.5 PUT	5,364	\$9.20	\$5,015,340	1/21/2020	BMY 100 (Weeklys) 31 JAN 20 66 CALL	4,230	\$1.80	\$761,400
12/20/2019	MPC 100 (Weeklys) 31 JAN 20 58.5 CALL	5,325	\$4.58	\$2,502,750	1/21/2020	ROKU 100 (Weeklys) 31 JAN 20 136 PUT	1,446	\$5.30	\$744,690
1/23/2020	GOOG 100 (Weeklys) 31 JAN 20 1500 CALL	1,421	\$13.65	\$2,032,030	1/7/2020	PDD 100 (Weeklys) 31 JAN 20 40 CALL	3,027	\$2.55	\$741,615
1/23/2020	PBR 100 (Weeklys) 31 JAN 20 14.5 CALL	40,222	\$0.44	\$2,011,100	1/7/2020	BA 100 (Weeklys) 31 JAN 20 335 CALL	534	\$13.55	\$704,880
1/22/2020	MMM 100 (Weeklys) 31 JAN 20 182.5 CALL	5,304	\$2.96	\$1,585,896	1/10/2020	WFC 100 (Weeklys) 31 JAN 20 51 CALL	3,002	\$2.27	\$681,454
12/30/2019	LMT 100 (Weeklys) 31 JAN 20 395 CALL	1,904	\$7.77	\$1,521,600	1/16/2020	AXP 100 (Weeklys) 31 JAN 20 131 CALL	3,994	\$1.70	\$678,980
1/10/2020	ITW 100 (Weeklys) 31 JAN 20 180 CALL	3,467	\$3.80	\$1,317,460	1/22/2020	PG 100 (Weeklys) 31 JAN 20 127 CALL	4,032	\$1.63	\$665,280
1/14/2020	GD 100 (Weeklys) 31 JAN 20 180 CALL	3,138	\$3.80	\$1,223,820	1/16/2020	SNAP 100 (Weeklys) 31 JAN 20 17.5 CALL	6,571	\$0.99	\$657,100
1/21/2020	V 100 (Weeklys) 31 JAN 20 205 CALL	2,626	\$4.50	\$1,194,830	1/22/2020	CTL 100 (Weeklys) 31 JAN 20 15 CALL	16,178	\$0.39	\$647,120
1/13/2020	WBA 100 (Weeklys) 31 JAN 20 53 CALL	5,909	\$1.75	\$1,128,619	1/10/2020	DAL 100 (Weeklys) 31 JAN 20 60 CALL	5,086	\$1.26	\$640,836
1/7/2020	FB 100 (Weeklys) 31 JAN 20 225 CALL	3,183	\$3.43	\$1,114,050	1/7/2020	APA 100 (Weeklys) 31 JAN 20 30 CALL	2,393	\$2.54	\$631,752
1/17/2020	INTC 100 (Weeklys) 31 JAN 20 60 CALL	7,548	\$1.42	\$1,094,460	1/6/2020	LYFT 100 (Weeklys) 31 JAN 20 47 CALL	10,004	\$0.62	\$630,252
1/2/2020	BIDU 100 (Weeklys) 31 JAN 20 130 CALL	1,273	\$8.50	\$1,062,955	1/15/2020	VZ 100 (Weeklys) 31 JAN 20 60 CALL	11,366	\$0.55	\$625,130
12/30/2019	LMT 100 (Weeklys) 31 JAN 20 400 CALL	1,891	\$5.36	\$1,038,950	1/22/2020	HD 100 (Weeklys) 31 JAN 20 235 CALL	2,258	\$2.49	\$596,112
1/22/2020	KO 100 (Weeklys) 31 JAN 20 57 CALL	9,025	\$1.15	\$1,037,760	1/21/2020	LYFT 100 (Weeklys) 31 JAN 20 46 PUT	10,087	\$0.59	\$595,133
1/6/2020	UBER 100 (Weeklys) 31 JAN 20 33 PUT	5,335	\$1.83	\$976,305	1/14/2020	CVS 100 (Weeklys) 31 JAN 20 75 CALL	10,538	\$0.55	\$579,590
1/15/2020	BSX 100 (Weeklys) 31 JAN 20 42 CALL	7,507	\$1.26	\$945,882	1/7/2020	SHOP 100 (Weeklys) 31 JAN 20 382.5 PUT	1,001	\$5.46	\$570,570
12/17/2019	MET 100 (Weeklys) 31 JAN 20 52.5 PUT	5,004	\$1.88	\$940,752	1/22/2020	SPT 100 (Weeklys) 31 JAN 20 149 CALL	1,194	\$4.60	\$561,180
1/10/2020	QCOM 100 (Weeklys) 31 JAN 20 90 CALL	2,550	\$3.60	\$930,750	1/16/2020	DE 100 (Weeklys) 31 JAN 20 172.5 CALL	1,367	\$4.05	\$560,470
12/13/2019	FB 100 (Weeklys) 31 JAN 20 195 CALL	1,031	\$8.07	\$891,815	1/21/2020	MMM 100 (Weeklys) 31 JAN 20 182.5 CALL	1,867	\$2.95	\$550,765
12/26/2019	TSLA 100 (Weeklys) 31 JAN 20 355 PUT	1,730	\$5.05	\$879,750	12/30/2019	BABA 100 (Weeklys) 31 JAN 20 195 PUT	3,417	\$1.61	\$550,137
1/10/2020	TSN 100 (Weeklys) 31 JAN 20 90 CALL	3,025	\$2.80	\$847,000	1/13/2020	TWLO 100 (Weeklys) 31 JAN 20 120 CALL	1,461	\$3.68	\$547,875
12/13/2019	MSFT 100 (Weeklys) 31 JAN 20 162.5 CALL	6,226	\$1.35	\$840,510	1/23/2020	TWLO 100 (Weeklys) 31 JAN 20 120 CALL	1,649	\$3.15	\$535,925
1/21/2020	AMAT 100 (Weeklys) 31 JAN 20 64 CALL	5,660	\$1.46	\$826,360	1/3/2020	AMD 100 (Weeklys) 31 JAN 20 46 CALL	1,260	\$4.22	\$529,200
1/13/2020	EXPE 100 (Weeklys) 31 JAN 20 114 CALL	8,673	\$0.90	\$823,935	1/15/2020	I 100 (Weeklys) 31 JAN 20 7 PUT	8,005	\$0.65	\$520,325
1/17/2020	CAT 100 (Weeklys) 31 JAN 20 150 CALL	3,112	\$2.62	\$818,456	1/3/2020	URI 100 (Weeklys) 31 JAN 20 177.5 CALL	2,214	\$2.30	\$520,290
1/22/2020	UNP 100 (Weeklys) 31 JAN 20 182.5 CALL	2,742	\$2.90	\$808,890	1/9/2020	LB 100 (Weeklys) 31 JAN 20 18 CALL	3,027	\$1.60	\$514,590
12/20/2019	MSFT 100 (Weeklys) 31 JAN 20 160 CALL	2,769	\$2.90	\$805,779	1/6/2020	M 100 (Weeklys) 31 JAN 20 17.5 PUT	5,010	\$1.00	\$506,010
1/21/2020	RCL 100 (Weeklys) 31 JAN 20 130 PUT	2,133	\$3.75	\$799,875	1/17/2020	PM 100 (Weeklys) 31 JAN 20 88 CALL	3,110	\$1.62	\$503,820
12/31/2019	SQ 100 (Weeklys) 31 JAN 20 62.5 PUT	3,384	\$2.32	\$785,088	1/15/2020	ABT 100 (Weeklys) 31 JAN 20 86 CALL	1,980	\$2.48	\$491,040

**Disclaimer:**

**Not Investment Advice or Recommendation**

*Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.*

Content is for informational and educational purposes only. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors.