



The **S&P 500 (SPX)** tested new highs last week before re-treating on Friday with rising geopolitical tensions that are certain to muddy the overall picture ahead of earnings season. There was not a lot of technical damage on Friday despite the drop with the 8-EMA holding at 3230 as well as week-to-date VWAP. A move under last week's low at 3212 could trigger more pressure as we move under December VPOC with the low-end of value down near 3150 which also aligns with the rising 50-MA. MACD is a bit extended and near a bearish crossover while RSI is showing a negative divergence and recently broke trend. The 20-day MA near 3200 a key level to watch as well as it also aligns closely with the uptrend from the 10/3 and 12/3 lows. Small-caps continue to lag a bit with the **Russell (IWM)** the only index below that key short-term gauge. Safe-haven spots like **Gold (GLD)** and **Bonds (TLT)** are also triggering out of bullish weekly patterns which could add some pressure on rotations.



### Market Sentiment/Breadth

The latest AAI sentiment survey for the week ending 1/1 showed a dip in bullish responses, down 4.7%, while neutral responses rose 4.3% and bears up small. Neutral sentiment remains well above the long-term range. NAAIM Exposure fell to 86.99 from a relative extreme in late December around 100. Lipper Fund flows for the week were a modest \$1.3B in outflows. As of Friday's close there were 232 new highs vs just 32 new lows, very strong breadth, while 72.9% of stocks were above their 50-day MA. The 50-day MA of the CBOE Equity P/C ratio continued to fall to 0.57 while the Index P/C ratio remained flat around 1.28. CNN Fear and Greed closed at 93, "Extreme Greed", and was as high as 97 earlier in the week. NYMO closed at 11.69, fairly neutral, while NYSE Summation continued to rise to 917.54 and well above its 8-EMA. Cumulative A/D closed just off of new highs, supportive of the move.

## Market Event Outlook

**Monday:** Services PMI at 9:45 AM, Composite PMI at 9:45; **International Data:** EU Services PMI, EU Composite PMI, UK Services PMI, German Retail Sales, Japan Services PMI; **Earnings Before the Open:** CALM, CMC; **Investor Events:** AMD (at CES), INTC (at CES); **Conferences:** CES 2020 (AAPL, ACN, ADP, AMZN, AVT, CI, CRM, DAL, DEO, EL, FB, GRUB, HPQ, IBM, INTC, IRBT, JCI, KBH, LYFT, MGM, PEP, PG, QCOM, SSNLF, T, UBER, UNH, VZ, WMT, WWE, MSFT, BSX, ARLO, DELL, ADBE, KLAC, MMM, CAR, PINS, FOX, DIS, FIT, WIFI, BBY, BUD, VOD, SNE, AMBA, ON)

**Tuesday:** Import/Exports at 8:30 AM, ISM Non-Manufacturing at 10:00, Factory Orders at 10:00; **International Data:** EU CPI, EU Retail Sales, Swiss CPI; **Earnings Before the Open:** ANGO; **Investor Events:** NXPI (at CES); **Conferences:** CES 2020, Goldman Energy (CRC, RRC, PBF, OII, HCR, FLMN, HP, DK), Citi Global TMT (CLNY, EQIX, JBL, JCOM, OUT, SBAC, UNIT, VZ);

**Wednesday:** ADP Employment at 8:15 AM, EIA Crude Inventories at 10:30; **International Data:** German Factory Orders, UK Housing Index, China CPI/PPI; **Earnings Before the Open:** STZ, GBX, LEN, MSM, RPM, SCHN, UNF, WBA; **Earnings After the Close:** BBBY, HELE; **Conferences:** CES 2020, Citi Global TMT, Goldman Energy

**Thursday:** Weekly Claims at 8:30 AM; **International Data:** ECB Minutes, EU Unemployment, German Industrial Production, Swiss Retail Sales, Brazilian Industrial Production; **Earnings Before the Open:** AYI, AZZ, LNN, SMPL; **Earnings After the Close:** KBH, PSMT, SNX, WDFC; **Analyst Days:** CASY, MNST; **Conferences:** CES 2020

**Friday:** Nonfarm Payrolls at 8:30 AM; **International Data:** Brazil CPI, Russian CPI; **Earnings Before the Open:** INFY; **Conferences:** CES 2020

## Weekly Open Interest Radar

**Uniqure (QURE)** shares are flagging under \$75 after pulling back to the rising 20-day MA with a narrow channel higher since October targeting a move up to \$85. QURE has 5,800 January \$60 calls in OI from buyers in early 2019 around \$12.40 as well as 6,000 Jan. 2021 \$70 calls in OI from a buyer in late September around \$6.30. Recently, there have been smaller buys in the Feb. \$80 calls and January \$80 calls.

**Trade to Consider:** Long the **QURE** Feb. \$75 Calls for \$5.50 or Better



## Weekly Options Technical Trade Set-Up

<b>Ticker</b>	TSN
<b>Trigger Level</b>	\$91.50
<b>Call/Put</b>	Calls
<b>Strike</b>	\$90.50
<b>Target</b>	\$94
<b>Stop</b>	\$90



## Insider Trade of the Week

**ConAgra (CAG)** with a sizable insider buy from director Craig Omtvedt of 40,000 shares at \$33.99, a more than \$1.35M buy on 12/31. This follows a 25,000 share buy in July from Omtvedt who is the former CFO of Fortune Brands and prior to that he was at Pillsbury. CAG finished strong after jumping 15% on earnings in December and shares now flagging after the move. Shares traded above \$40 in 2016 but were cut in half over the next three years over concerns over their \$8B deal for Pinnacle. The deal made CAG a frozen food giant at a time when that particular aisle in grocery was inflecting positively with volumes growing in 2018 and 2019 for the first time since 2013 according to RBC. In Q2 the company noted that they saw organic growth in every segment while winning more shelf space in frozen with retail distribution share up another 1.2 points (+1 in Q1 and +0.6 in Q4). Their leading brands like Healthy Choice (+13%) and Marie Callanders (+7%) are also gaining share while they see opportunity to expand in some niche areas like gluten-free brand Udis. Their mix also improved while new product launches outsold legacy items as their innovation strategy takes hold and a lot of new launches in 2H20 including Gardein plant-based burgers. Shares trade 14.5X earnings and 1.55X sales with estimates calling for high-single digit EPS growth. Short interest is 5%. Hedge fund ownership rose 2% in Q3 with JANA Partners still the top holder with 14.9M shares, their top position and a 37% weight. Evercore raising their PT to \$39 with a bull case for \$47 with legacy Pinnacle brands finally turning the corner. UBS with a \$38 PT and sees optimism into 2020 as organic sales growth will accelerate further as the portfolio complexity lessens given its sale of Lender's Bagels and peanut butter plant assets.

## Earnings Preview

**Constellation Brands (STZ)** will report earnings on 1/8 before the open with the Street looking for \$1.85 on \$1.95B in sales. Next quarter is guided to \$1.72 and \$1.78B while the FY is \$8.52 and \$8.15B. Shares have closed higher in three of the last five with an average closing move of 6.8% and a max move of 12.4%. The market is pricing in a 5.4% move this quarter which is in-line with previous straddles. Skew is slightly bullish while IV30 is elevated at 29.1%. The \$35.94B company trades 20.6X earnings and 4.4X sales with a 1.6% yield and strong and improving margins. STZ has had some messy quarters recently given their active portfolio shift (ongoing EJ Gallo sale) and a drag from their investment in Canopy (CGC) and the company is guiding to a 3% loss in sales in 2021 before a return to growth in 2022. The company made a somewhat surprising deal in December to sell their Ballast Point brand at a sizable loss but a number of sell-side notes positive on the move as new CEO Bill Newlands is taking a more aggressive approach to adding high-growth and high-margin names rather than focusing on self-help stories which could drag out. Their leading beer brands like Corona and Modelo Especial continue to win market share as they sit in the sweet spot for demographics right now as some of the higher-end premium brands struggle. STZ has also announced plans recently for a seltzer line in the Spring and could give more details there on planned spend and rollout. Nielsen scanner data for 12/24 showed increased ad spending and innovation is driving STZ sales and dollar share on the shelves vs BUD and TAP which both lagged (they were flat, -0.1%, and STZ was +8.6%). Wine continues to drag on STZ with sales down 4.6% over the four-week period. Analysts have an average target for shares of \$226. BAML positive on 12-20 noting that their beer portfolio (Corona/Modelo) is positioned to grow faster than peers while having solid prospects for margin expansion and increased free cash flow. They see headwinds around Gallo and CGC dissipating in 2020 especially as the new CEO at CGC steps in. They also think Corona's new products will resonate with consumers and drives sales growth. CSFB positive in November seeing 2020 as a big year as they transition into innovation-mode. They see significant upside given lack of exposure to most growth categories ex- Imports (seltzers, FMBs, ultra-lights). Cantor noting on 12-9 they see a 60% chance that STZ makes a bid for CGC in its entirety as the growth in cannabis is hard to ignore. Hedge fund ownership rose near 5% in Q3. Harris Associates a top holder.



Date	Description	Volume	Open.Int	Price	Delta	Impl Vol	Prob.ITM	Premium Paid
12/31/2019	STZ 100 21 JAN 22 170 PUT	800	12	\$17.50	-0.31	25.95%	45.85%	\$1,520,000
12/31/2019	STZ 100 17 JUL 20 155 PUT	504	22	\$3.40	-0.15	28.84%	20.37%	\$181,440
12/20/2019	STZ 100 (Weeklys) 10 JAN 20 195 CALL	618	77	\$2.56	0.31	29.32%	28.41%	\$163,770
12/2/2019	STZ 100 (Weeklys) 3 JAN 20 182.5 PUT	502	127	\$3.40	-0.38	20.39%	40.01%	\$160,640
11/6/2019	STZ 100 15 JAN 21 185 PUT	501	103	\$17.80	-0.38	26.58%	49.84%	\$901,800
10/7/2019	STZ 100 17 APR 20 145 PUT	570	7	\$2.55	-0.11	33.51%	15.84%	\$156,750
8/15/2019	STZ 100 17 JAN 20 170 PUT	1,229	611	\$6.10	-0.23	32.22%	29.89%	\$749,690
8/15/2019	STZ 100 17 JAN 20 215 CALL	1,134	353	\$5.90	0.31	26.64%	25.13%	\$669,060
6/28/2019	STZ 100 17 JAN 20 205 CALL	936	355	\$12.58	0.48	25.59%	40.70%	\$1,177,488



## January 10<sup>th</sup> (W) OpEx Notable Open Interest

Date	Description	Volume	Price	Premium Paid
12/3/2019	PSX 100 (Weeklys) 10 JAN 20 121 PUT	11,202	\$8.50	\$9,521,700
12/3/2019	BABA 100 (Weeklys) 10 JAN 20 185 CALL	2,373	\$12.95	\$3,120,495
12/27/2019	AAPL 100 (Weeklys) 10 JAN 20 290 PUT	6,681	\$4.20	\$2,872,830
12/17/2019	NVDA 100 (Weeklys) 10 JAN 20 235 PUT	1,335	\$10.16	\$1,356,360
12/2/2019	OLED 100 (Weeklys) 10 JAN 20 195 CALL	1,609	\$7.10	\$1,199,250
12/12/2019	UBER 100 (Weeklys) 10 JAN 20 30 CALL	15,350	\$0.70	\$1,151,250
12/23/2019	BABA 100 (Weeklys) 10 JAN 20 215 CALL	2,651	\$4.15	\$1,113,420
12/2/2019	OLED 100 (Weeklys) 10 JAN 20 200 CALL	1,599	\$4.90	\$783,510
12/16/2019	AMD 100 (Weeklys) 10 JAN 20 43 CALL	4,067	\$1.43	\$589,715
12/20/2019	LB 100 (Weeklys) 10 JAN 20 19 CALL	6,569	\$0.79	\$525,040
11/27/2019	UBER 100 (Weeklys) 10 JAN 20 31 CALL	5,000	\$1.00	\$500,000
11/27/2019	USB 100 (Weeklys) 10 JAN 20 59.5 CALL	2,816	\$1.48	\$416,768
12/30/2019	SQ 100 (Weeklys) 10 JAN 20 64 PUT	1,588	\$2.63	\$406,528
12/20/2019	ANET 100 (Weeklys) 10 JAN 20 197.5 PUT	2,086	\$1.75	\$365,050
12/12/2019	CCL 100 (Weeklys) 10 JAN 20 46.5 PUT	2,500	\$1.45	\$362,500
12/20/2019	JPM 100 (Weeklys) 10 JAN 20 138 PUT	1,720	\$2.05	\$359,480
12/20/2019	LK 100 (Weeklys) 10 JAN 20 31 PUT	2,025	\$1.65	\$354,375
12/27/2019	COST 100 (Weeklys) 10 JAN 20 297.5 CALL	1,474	\$2.36	\$352,286
12/27/2019	ILMN 100 (Weeklys) 10 JAN 20 332.5 CALL	505	\$6.50	\$343,400
12/23/2019	TGT 100 (Weeklys) 10 JAN 20 128 CALL	1,467	\$2.35	\$341,811
12/18/2019	CVS 100 (Weeklys) 10 JAN 20 75 CALL	3,871	\$0.79	\$317,422
1/2/2020	AMD 100 (Weeklys) 10 JAN 20 47 CALL	2,503	\$1.25	\$315,378
1/2/2020	WORK 100 (Weeklys) 10 JAN 20 23 CALL	3,966	\$0.72	\$297,450

## Technical Scans

### BULL SCANS

**Notable 8/21 EMA Bull Crossovers:** LB, KTOS, INVH, AYX, ICE, WDAY, FSLY, AMH, BAH, DLR, PSA, PCRX, UPLD, DNKN, MANH, MMS, AIZ

**Notable 13/34 EMA Bull Crossovers:** BP, NOC, AVL, WIX, BECN, WCN

**Notable 21/55 EMA Bull Crossovers:** SINA, HUBS, CLGX, MGNX, CYRX, AZPN, BFAM

**Emerging Strength (Daily RSI Cross of 50 w/ Accumulation/Distribution Ratio at 12 Week High):** DRE, SWCH, INVH, ETR, ELS, AMH, PSA, VIRT, OHI, EXR, HAIN, ADPT, AXS, TDG, EFC, CBRL

**30 Day Highs with Strong Closes:** UBER, SE, TRGP, CXO, NOC, ICE, PLAN, MAXR, LHX, OKE, LNG, ROST, WM, CERN, REGI, RSG, FTNT, CCI, TRU, APLS, ALL, W, CHTR, LDOS, SPLK, VRSN, VRSK, VRNT, MMSI, XYL, AME, BG, AJRD, NDAQ, EFX, POST, VAR, CROX, KTB, IAA, PSXP, HUBS, AMBA, HII, BR, AVAV, SMG, AYI, CCOI, DECK, WST, WEX, MIME, PRFT, BFAM, AMN, LHCG, EPAM, FCN, AMED, CSGP, ESE, TDY, AAOIN, PSN, MANT, FORM, FELE, CACI, KNSL, UVV, ARGO, MSA

### BEAR SCANS

**Notable 8/21 Bear EMA Crossovers:** WFC, HBAN, WU, NWL, GIS, IBM, KKR, MT, PBF, EMN, LNC, STLD, HOG, NVCR, BWA, DFS, OLLI, NTR, FLO, LSCC, DLP, PINC, LBTYA, RH, BIIB, SRCL, CDNA, PACW, TDC, SHW, VCYT, RAMP, CIT, VVDA, UFS, FIZZ, SAP, NFG, SNBR, WLK, ENR, FCPT, PCH, CBT, UHS, BNFT, FIX

**Notable 13/34 EMA Bear Crossovers:** INCY, WMT, GILD, NWL, KSS, NRG, PRSP, WW, NVCR, HALO, BHF, PRGO, ALKS, NTR, CREE, OC, SGMS, WRI, ADPT, BLMN, EHC, OMER, AGCO, KRO, PAG, ECHO, MERC

**Notable 21/55 EMA Bear Crossovers:** CTL, GIS, ED, SRC, LPSN, HT, MNR, LGND, UHS, NGVT, MHO, KNL, REVG

**Notable 34/144 EMA Bear Crossovers:** UDR, CORT, HAE, NAV, RYTM

**Notable 55/233 EMA Bear Crossovers:** CTL, EVG

**Emerging Weakness (Daily RSI Cross Under 40 w/ Accumulation/Distribution Ratio at 6 Week Low):** DD, WMT, VLO, NUE, IP, NRG, APD, PSX, TSCO, EMN, DK, ALKS, CE, MHK, EPC, GMAB, LGND, NGVT, TSE, MMYT

**20 Day Lows with Weak Closes:** PG, SCHW, WMT, VLO, DXC, PEP, AMTD, HFC, NUE, ACAD, ADNT, PSX, APD, CAH, PPG, ALXN, KMX, DK, ARWR, INMD, LEG, PRGO, BWA, NTRS, PKG, XRAY, MHK, CE, RH, BIIB, SRCL, AVY, RAMP

## **Disclaimer:**

### **Not Investment Advice or Recommendation**

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