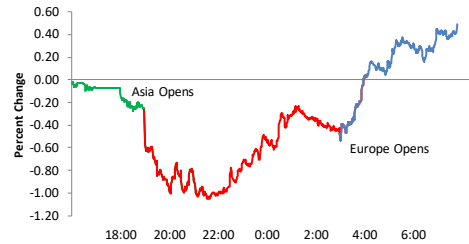




Today's Events

Overnight Trading



Other Markets

| | | |
|---------|----------|-------|
| Japan | ↑ | 0.1 % |
| China | ↓ | -0.1 |
| Germany | ↑ | 0.1 |
| UK | ↑ | 1.2 |
| Oil | 52.49 ↑ | \$0.5 |
| Gold | 1308.6 ↑ | \$5.5 |
| \$/Euro | 0.875 ↑ | 0.00 |
| \$/Yen | 109.47 ↑ | 0.1 |
| 10-Yr | 2.74 ↓ | -0.01 |

Noteworthy Macro Events

- US Futures Erase Overnight Losses and Indicated Higher.

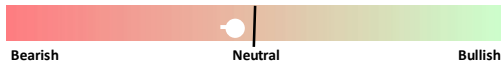
Overnight Trading

Trading Up (\$):
SANM (6.2), MMM (5.3), LRCX (2.24), LIN (2.16), VYGR (2.06), GLW (2.04)
Trading Down (\$):
PII (-8.1), WHR (-7.71), AGN (-5.75), AMZN (-2.89), SQ (-2.77), ALV (-2.76)

Stock Specific News of Note

| Ticker | News |
|--------|---|
| AGN | Beat EPS forecasts by 14 cents (4.29 vs 4.15) on stronger revenues; lowered guidance. |
| AKS | Beat EPS forecasts by 5 cents (0.16 vs 0.11) on weaker revenues; lowered guidance. |
| ALV | Missed EPS forecasts by 29 cents (1.42 vs 1.71) on weaker revenues; lowered guidance. |
| BIIB | Beat EPS forecasts by 27 cents (6.99 vs 6.72) on stronger revenues; raised guidance. |
| CE | Missed EPS forecasts by 2 cents (2.38 vs 2.40) on weaker revenues; lowered guidance. |
| DHR | Beat EPS forecasts by 1 cent (1.28 vs 1.27) on stronger revenues; guided inline. |
| ETH | Reported inline EPS (0.46) on weaker revenues. |
| HOG | Missed EPS forecasts by 13 cents (0.17 vs 0.30) on weaker revenues. |
| HRS | Beat EPS forecasts by 4 cents (1.96 vs 1.92) on stronger revenues; raised guidance. |
| JJSF | Beat EPS forecasts by 5 cents (0.93 vs 0.88) on inline revenues. |
| LLL | Beat EPS forecasts by 42 cents (3.10 vs 2.68) on stronger revenues; raised guidance. |
| MMM | Beat EPS forecasts by 3 cents (2.31 vs 2.28) on inline revs; lowered guidance; shares higher. |
| PCG | Files for Chapter 11 bankruptcy. |
| PFE | Beat EPS forecasts by 1 cent (0.64 vs 0.63) on inline revenues; lowered guidance. |
| PHM | Beat EPS forecasts by 1 cent (1.11 vs 1.10) on stronger revenues. |
| PII | Beat EPS forecasts by 1 cent (1.83 vs 1.82) on weaker revenues; lowered guidance. |
| SANM | Beat EPS forecasts by 13 cents (0.83 vs 0.70) on stronger revenues; raised guidance. |
| TVTY | Preannounced weaker than expected Q4 sales citing adverse weather. |
| VYGR | Announces collaboration with NBIX for Parkinson's treatment. |
| WHR | Beat EPS forecasts by 51 cents (4.75 vs 4.24) on weaker revenues; lowered guidance. |
| WWD | Beat EPS forecasts by 22 cents (0.96 vs 0.74) on stronger revenues; reaffirmed guidance. |

Market Timing Model



| Category | Expected S&P 500 Return (%) | | |
|--------------------|-----------------------------|-------------|-------------|
| | One Week | Two Weeks | One Month |
| Sentiment | 0.07 | 0.30 | 0.41 |
| Technicals | 0.15 | 0.35 | 0.61 |
| Fundamental | -0.02 | 0.15 | 0.42 |
| Overall | 0.10 | 0.26 | 0.43 |
| Average (all days) | 0.13 | 0.13 | 0.13 |

Indicators/Events

| Time | Event | Estimate | Last Report | | | | | | |
|-------|---------------------|----------|-------------|-------|-------|-------|------|------|--------|
| | | | Date | Est | Act. | Diff. | S&P | Best | Worst |
| 10:00 | Consumer Confidence | 125.0 | 12/27 | 133.5 | 128.1 | -5.4 | 0.86 | Mat. | C Disc |
| | DPZ Investor Day | | | | | | | | |

Tomorrow

Economic Indicators & Events

| Time | Event | Estimate | Last Report | | |
|-------|--------------------|----------|-------------|---------------|-------|
| | | | Date | Act. vs. Est. | S&P |
| 8:15 | ADP Employment | 180 | 1/3 | 91 | -2.48 |
| 10:00 | Pending Home Sales | 0.5 | 12/28 | -1.70 | -0.12 |

Earnings Reports

| Ticker | Date | TOD | Estimate | |
|--------|---------|-----|----------|--------|
| | | | EPS | Revs. |
| BA | 1/30/19 | AM | 4.55 | 26783 |
| BABA | 1/30/19 | AM | 11.52 | 118687 |
| GD | 1/30/19 | AM | 2.99 | 10348 |
| IR | 1/30/19 | AM | 1.29 | 3858 |
| MCD | 1/30/19 | AM | 1.89 | 5174 |
| FB | 1/30/19 | PM | 2.17 | 16403 |
| MDLZ | 1/30/19 | PM | 0.63 | 6777 |
| MSFT | 1/30/19 | PM | 1.09 | 32533 |
| PYPL | 1/30/19 | PM | 0.67 | 4232 |
| QCOM | 1/30/19 | PM | 1.09 | 4901 |
| TSLA | 1/30/19 | PM | 2.21 | 7084 |
| V | 1/30/19 | PM | 1.25 | 5414 |
| WYNN | 1/30/19 | PM | 1.35 | 1633 |
| X | 1/30/19 | PM | 1.83 | 3773 |

Conferences & Meetings

| | |
|-------|------------------------|
| 14:00 | FOMC Rate Decision |
| 10:30 | DoE Energy Inventories |
| 14:30 | FOMC Press Conference |

Dividends & Splits

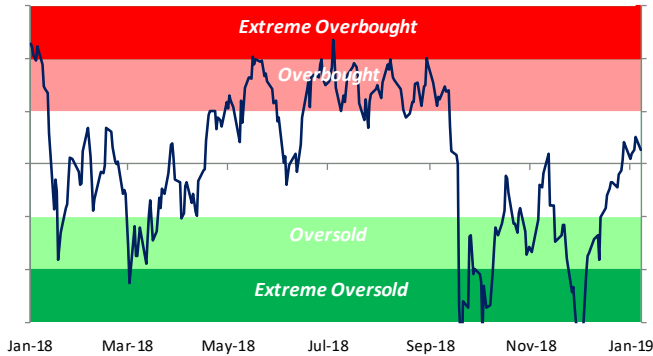
| | | | |
|------|------|-----|------|
| TXN | 0.77 | EPR | 0.38 |
| OHI | 0.66 | LNT | 0.36 |
| VRTS | 0.55 | EV | 0.35 |
| NNN | 0.50 | SKT | 0.35 |
| NWN | 0.48 | CFG | 0.32 |
| FAST | 0.43 | MS | 0.30 |

Index Changes

None



S&P 500 50-Day Moving Average Spread



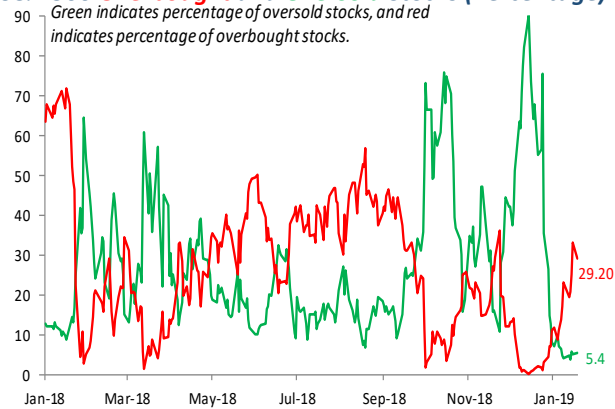
S&P 500 Internals

| Indicator | Change | Current | One Week Ago |
|-----------------------------|--------|----------------|----------------|
| 50-Day Moving Avg Spread | ↓ | 1.0 % | 1.7 % |
| 10-Day A/D Line | ↓ | 939 | 2079 |
| # of Overbought Stocks | ↑ | 146 | 115 |
| # of Oversold Stocks | ↑ | 27 | 21 |
| P/E Ratio | | | |
| Trailing | ↓ | 17.86 | 18.07 |
| Forward | ↓ | 15.82 | 15.82 |
| Dividend Yield | ↑ | 2.05 % | 2.03 % |
| Net Earnings Revisions | ↓ | -32.1 % | -27.1 % |
| Credit Spreads (bps) | | | |
| High Yield | ↓ | 434 | 441 |
| Corporate Bonds | ↓ | 140 | 146 |

Yesterday's Movers

| Ticker | % Chg. | Occ. | Average Return (%) | | | |
|--------|--------|------|--------------------|------------|-----------|------------|
| | | | Next Day | | Next Week | |
| | | | Chg. | Percent Up | Chg. | Percent Up |
| VSM | 15.9 | 1 | -12.5 | 0.0 | -16.1 | 0.0 |
| AGYS | 8.9 | 0 | n/a | n/a | n/a | n/a |
| FSB | 5.8 | 2 | -4.5 | 0.0 | -5.8 | 0.0 |
| CHFC | 5.4 | 0 | n/a | n/a | n/a | n/a |
| GES | -14.6 | 6 | -0.5 | 50.0 | 4.3 | 100.0 |
| NVDA | -13.8 | 2 | -4.5 | 50.0 | -0.3 | 50.0 |
| VICR | -12.5 | 18 | -0.6 | 44.4 | 0.3 | 44.4 |
| CAT | -9.1 | 7 | -0.7 | 42.9 | 2.6 | 57.1 |

S&P 500 Overbought and Oversold Stocks (Percentage)



Trading Ranges: Sectors

| Index/Sector | Current | 1 Wk Ago | OS | N | OB |
|---------------|---------|----------|----|---|----|
| S&P 500 | N | N | █ | ● | █ |
| Cons Discret. | N | N | █ | ● | █ |
| Cons Staples | N | N | █ | ● | █ |
| Energy | N | N | █ | ● | █ |
| Financials | N | N | █ | ● | █ |
| Health Care | N | N | █ | ● | █ |
| Industrials | N | N | █ | ● | █ |
| Materials | N | N | █ | ● | █ |
| Technology | N | N | █ | ● | █ |
| Comm. Svcs | N | OB | █ | ● | █ |
| Utilities | N | N | █ | ● | █ |

S&P 500 Overbought Stocks Most Likely to Fall

| Ticker | Price | Standard Deviations Above 50-Day Avg | Avg % Return (One Week) | Percent of Time Positive |
|--------|--------|--------------------------------------|-------------------------|--------------------------|
| | | | | |
| INCY | 80.66 | 2.05 | -1.25 | 0.5 |
| LRCX | 166.06 | 2.69 | -0.76 | 0.5 |
| HCP | 30.63 | 2.17 | -0.46 | 0.6 |

Relative Strength of Stocks versus Bonds



Trading Ranges: Bonds/Commodities

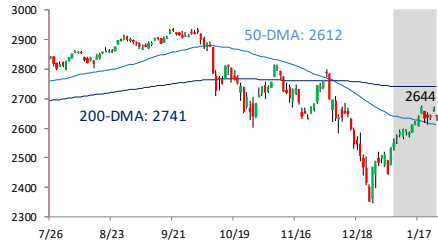
| Commodity | Current | 1 Wk Ago | OS | N | OB |
|-------------|---------|----------|----|---|----|
| \$/Euro | N | N | █ | ● | █ |
| \$/Yen | N | N | █ | ● | █ |
| 2-Year | N | N | █ | ● | █ |
| 10-Year | N | N | █ | ● | █ |
| Gold | OB | OB | █ | ● | █ |
| Silver | OB | N | █ | ● | █ |
| Copper | N | N | █ | ● | █ |
| Crude Oil | N | N | █ | ● | █ |
| Heating Oil | N | N | █ | ● | █ |
| Gasoline | OS | N | █ | ● | █ |
| Natural Gas | OS | N | █ | ● | █ |

S&P 500 Oversold Stocks Most Likely to Rise

| Ticker | Price | Standard Deviations Below 50-Day Avg | Avg % Return (One Week) | Percent of Time Positive |
|--------|-------|--------------------------------------|-------------------------|--------------------------|
| | | | | |



S&P 500: Last Six Months



Russell 2000: Last Six Months



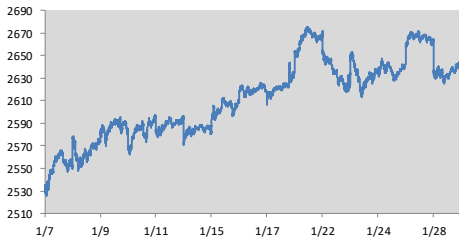
Gold Future: Last Six Months



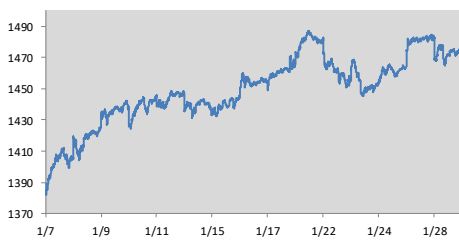
Long Bond Future: Last Six Months



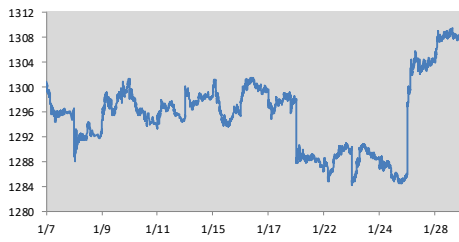
S&P 500: Last 15 Trading Days



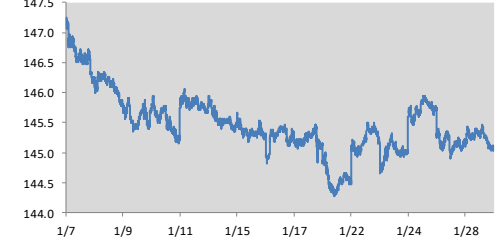
Russell 2000: Last 15 Trading Days



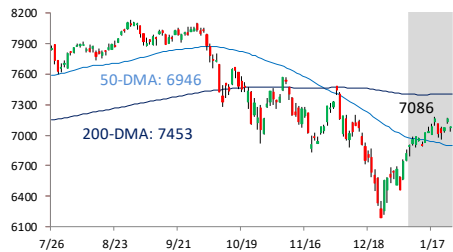
Gold Front Month Future: Last 15 Trading Days



Long Bond Future Intraday: Last 15 Trading Days



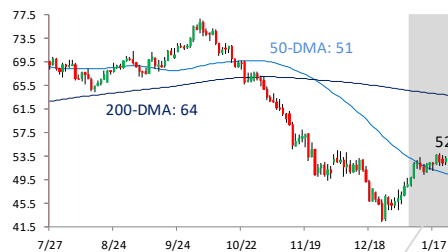
Nasdaq Composite: Last Six Months



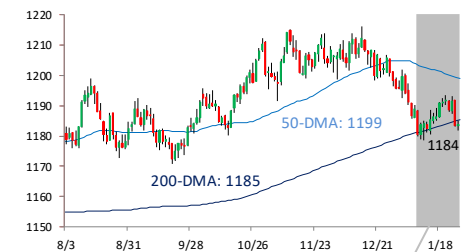
DJ Transports: Last Six Months



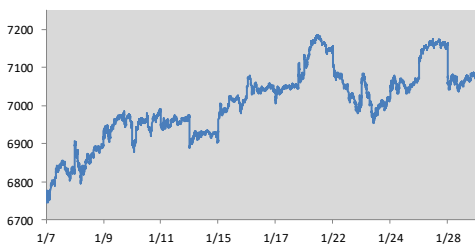
Oil Future: Last Six Months



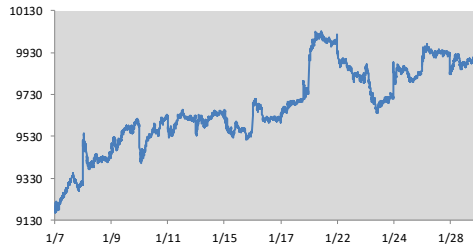
BBG US Dollar Index: Last Six Months



Nasdaq Composite: Last 15 Trading Days



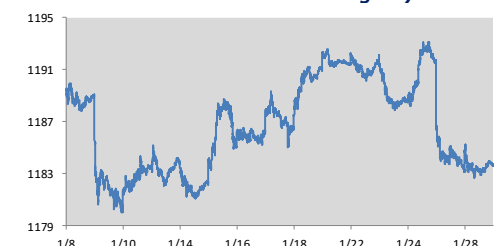
DJ Transports: Last 15 Trading Days



Oil Future: Last 15 Trading Days



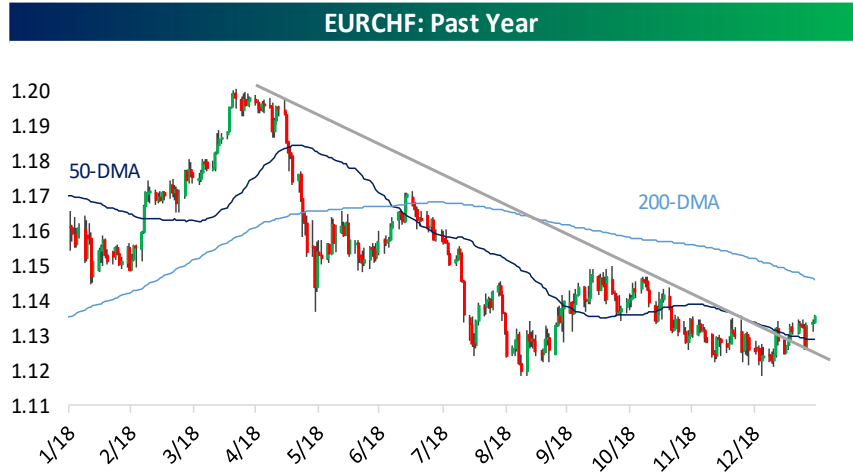
BBG US Dollar Index: Last 15 Trading Days





Morning Commentary

Overview: US equity index futures are up about 13 bps (at session highs) after a weak start to the overnight session last night. Other global risk sentiment indicators are performing well; European credit and equities are both firmly higher in price this morning, oil is moving off the bottom of its most recent few days' trading range, gold is sustaining the huge breakout from Friday as the dollar treads water, and EURCHF has continued to trend higher. These are all pretty good signs for markets feeling reasonably optimistic about the outlook despite plenty of negative data points (discussed more on the next page).



In the US data on housing (Case-Shiller) and Consumer Confidence (Conference Board) is due out today. Keep an eye on the confidence data; University of Michigan data missed by a country mile in an outright collapse based on preliminary January numbers reported last Friday, so economists are expecting a notable drop in Conference Board numbers too. [Economic scorecard](#).

APAC Markets: APAC had a very rough start to the session, but virtually every local market saw buyers step in with vigor in the middle of the session and several indices (A-shares, Korea, Japan) finished in the green. As usual, there are positive and negative headlines swirling around on the subject of China and trade. Everything from S&P being granted the ability to rate bonds onshore in China to the US seeking extradition of Huawei's CFO from Canada to China offering to buy more US farm products. Which of those matters or doesn't is beyond our ability to hold opinions, but it does *not* seem that rapid progress is being made.

CSI 300 (Onshore China): Past Year



While the CSI 300 chart isn't looking particularly special we do note that the index has now spent 8 consecutive closes above its 50-DMA, the longest such streak since February of 2018. In the last 11 months, the previous high-water mark for closes above the 50-DMA was a depressing 3, so this really is an improvement of the trend backdrop!



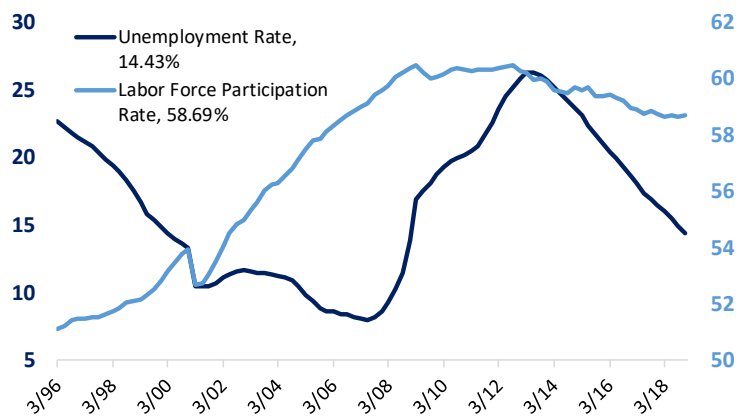
Morning Commentary

Europe Data: Quarterly data from Spain’s INE showed that the almost impossibly steady decline in unemployment hasn’t missed a beat recently, with that measure falling to 14.43% (our seasonal adjustment). During the post-crisis period, the Spanish labor force participation rate as measured by INE has retraced from the 60% area at the peak of the last cycle to 58.7% today. While a falling LFPR isn’t positive, the very slow pace of decline and the fact that it’s only retraced about a quarter of the huge mid-2000s improvement is; the LFPR is also starting to bottom out and may begin rising as unemployment continues to fall.

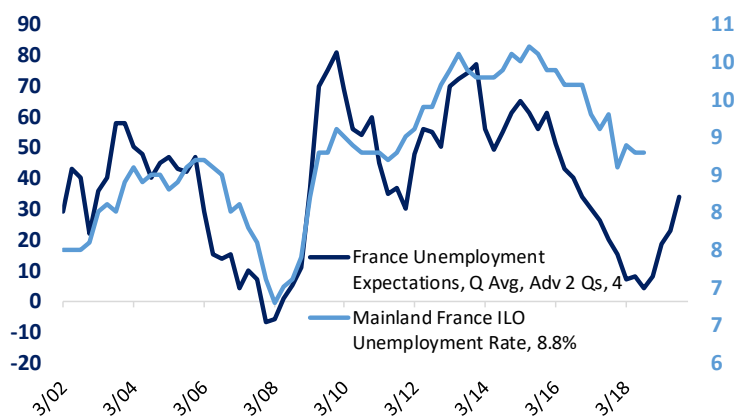
In France, we note that unemployment expectations tend to broadly lead actual unemployment data. As shown in the chart at right, while the rapid fall in French consumer confidence since peaking in June ‘17 has driven unemployment expectations up sharply, this is some of the worst leading indicator data we’ve gotten for a major European economy in some time. It is of more concern than near-term softness in manufacturing PMIs which could be driven by various idiosyncratic factors.

Finally, we note that global activity continues to slow, though of course things look downright rosy now compare to 2009 or 2015. Much more deterioration would be required to show real trouble for global activity.

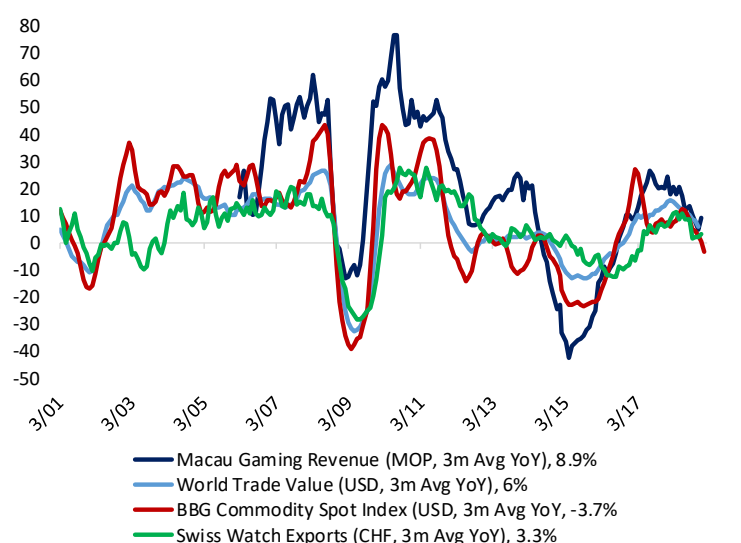
Spanish Labor Markets Continue To Improve (SA By Bespoke)



French Unemployment Rate: Cycle Ending?



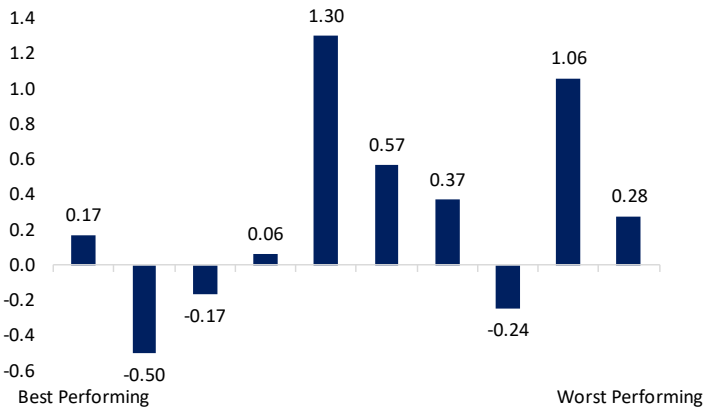
Global Cyclical Activity: On The Downslope





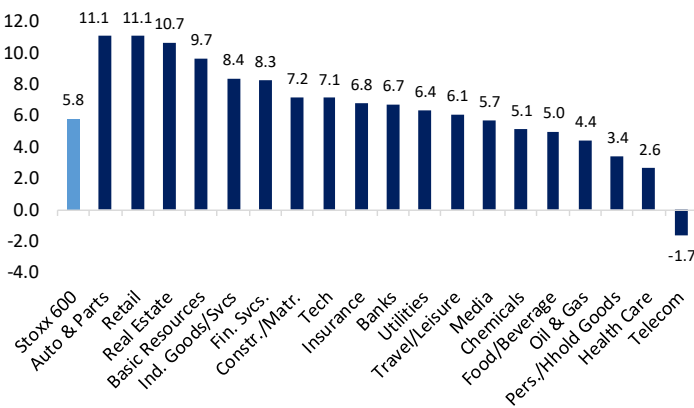
Morning Commentary

Stoxx 600 Avg Performance Since 1/18 By Decile of 1/18 Gain



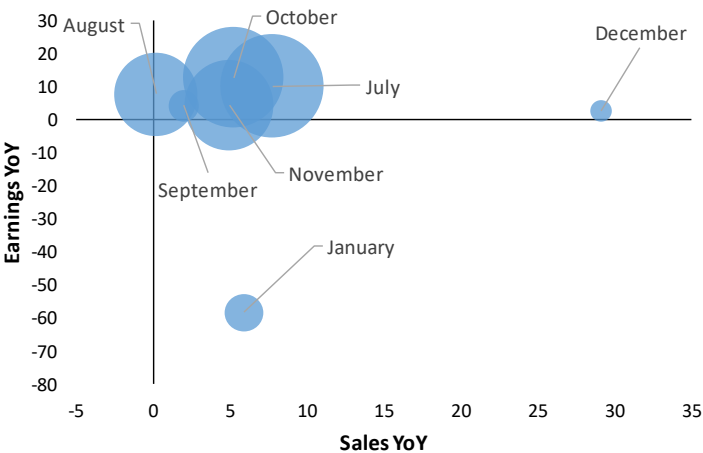
Europe Markets: So far the promise of the high volume breakout delivered by the Stoxx 600 two Fridays ago hasn't really played out. As shown in the chart at left, a decile analysis showing performance of stocks *since* that date by their performance *on* that date reveals that strong performance on the breakout hasn't been a good predictor of performance since. Of course, that may change after consolidation, but for now the stocks that busted out are mostly staying put.

Stoxx 600 YTD Price Return



In terms of YTD leadership in European equities, as we've repeatedly emphasized cyclicals have been the big outperformers with autos, retail, resources, industrial goods/services, financial services, and construction all among the best performers while defensives like health care, telecom, and food/beverage lag.

Stoxx 600 Earnings Weakening, Or Too Few? (By Report Date)



We are in the European earnings season shoulder season still, with only 35 names reporting earnings in the calendar month (after 11 in December). As shown in the chart at left, while earnings have been pretty grim, it's hard to put too much weight on them thus far given the relatively low number of companies updating results (and the relatively strong sales growth). Constant next 12 month EPS estimates have come down for the Stoxx 600 since their peak in November, but only by about 1.8% (about in-line with the

same measure for the S&P 500 over roughly the same period of time). Similar to US earnings then, European earnings aren't exactly strong but versus a very high bar it's hard to call them particularly weak either given the low number of companies reporting in this part of the calendar.



Morning Commentary

US Earnings: Drug-markers Allergan (AGN) and Pfizer (PFE) along with chemicals firm 3M (MMM) all cut estimates of various kinds today with AGN forecasting Q1 EPS below analyst estimates, PFE projecting 2019 adjusted EPS below analyst estimates, and 3M reducing 2019 EPS estimates by 15 cents per share. In the last case, the cut was largely expected but still, the theme today seems to be forecast trimming. [Economic scorecard](#). [Interactive Earnings Calendar](#).

Major Asset Class Dashboard

| Equity Futs | | | | | Commodity | | | | |
|-------------|---------|--------|--------|----------|--------------|----------|--------|--------|----------|
| Asset | Level | Change | 5d Chg | 3m Chart | Asset | Level | Change | 5d Chg | 3m Chart |
| (bps) | | | | | (bps) | | | | |
| S&P 500 | 2650.00 | -50.7 | -100.9 | | Gold | 1305.70 | 11.5 | 141.4 | |
| Russell | 1474.80 | -52.6 | -74.7 | | Silver | 15.71 | 3.8 | 224.6 | |
| VIX Fut | 18.71 | 238.0 | 252.1 | | WTI | 52.77 | -171.4 | -226.0 | |
| TSX | 913.00 | -51.2 | -33.8 | | Copper | 271.05 | -67.8 | -5.5 | |
| Trsy Yields | | | | | Int'l Equity | | | | |
| 2 Year | 260.86 | 0.2 | -0.5 | | Nikkei | 20649.00 | -60.0 | -33.9 | |
| 5 Year | 260.26 | 0.3 | -2.1 | | CSI 300 | 3183.78 | -2.2 | -5.8 | |
| 10 Year | 276.02 | 0.2 | -2.4 | | ASX 200 | 5905.61 | 0.0 | 25.8 | |
| 30 Year | 306.54 | -0.1 | -3.2 | | Stoxx 600 | 355.97 | -52.3 | -10.9 | |
| Curves/BE | | | | | FX | | | | |
| 2s10s | 14.95 | -0.1 | -1.7 | | BBG USD | 1184.52 | 10.2 | -57.1 | |
| 5s30s | 46.11 | -0.4 | -1.1 | | EURUSD | 1.1414 | 7.0 | 43.1 | |
| 5 Yr BE | 164.38 | 0.0 | 162.7 | | USDJPY | 109.48 | -6.4 | -17.3 | |
| 10 Yr BE | 178.54 | 0.2 | 176.7 | | EM FX | 63.56 | -13.0 | 56.6 | |
| Eurodollars | | | | | Credit | | | | |
| Mar '19 | 97.32 | 0.0 | 1.5 | | CDX IG | 72.74 | 0.0 | 0.3 | |
| Jun '19 | 97.28 | 0.0 | 2.0 | | iTraxx IG | 75.13 | 0.0 | -0.6 | |
| Sep '19 | 97.26 | -0.5 | 1.5 | | CDX HY | 376.74 | -0.5 | -6.0 | |
| Dec '19 | 97.24 | -0.5 | 2.0 | | iTraxx HY | 324.73 | -0.5 | 5.3 | |