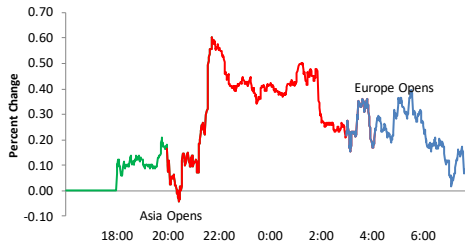




## Today's Events

### Overnight Trading



### Other Markets

Japan	↑	0.0 %
China	↑	0.0
Germany	↓	0.0
UK	↓	-0.2
Oil	↓	51.74 ↓ -\$0.6
Gold	↓	1339.7 ↓ -\$4.8
\$/Euro	↓	0.890 ↓ 0.00
\$/Yen	↑	108.68 ↑ 0.1
10-Yr	↑	2.10 ↑ 0.02

### Noteworthy Macro Events

- Futures Drifting Higher as Yields Rise.

### Overnight Trading

#### Trading Up (\$):

ARRY (17.87), BYND (8.88), AMZN (4.33), QURE (4.19), FB (2.62), GRUB (1.93)

#### Trading Down (\$):

ALV (-0.97), DIS (-0.88), PAYS (-0.69), NVDA (-0.57), DOW (-0.5), XOM (-0.35)

### Stock Specific News of Note

Ticker	News
ACM	Announces plans to spin off Management Services segment in second half of 2019.
ARRY	Will be acquired by PFE for \$48 per share in cash (Friday close was 29.59).
BA	WSJ says FAA may begin 737 test flights as early as this week.
BABA	Announces proposal to split stock 8-1.
DB	Bank is considering shutting down US equities business as part of overhaul.
QURE	Bloomberg reports that company is exploring a possible sale of company.
RTN	Barron's says that although merger with UTX isn't great for shareholders, stocks are cheap.
TGT	Company says issue with NCR systems was behind weekend register outages.
TSLA	Elon Musk says he has deleted his Twitter account.
UTX	Barron's says that although merger with RTN isn't great for shareholders, stocks are cheap.
WORK	Barron's article says stock is richly valued at IPO price.

### Analyst Actions

#### Upgrades

Ticker	Firm	From	To
CTVA	Deutsche	Hold	Buy
DE	Baird	Neutral	Outperf
KDP	BMO Capital	Mkt Perf	Outperf
MOS	Merrill	Neutral	Buy
SYMC	Mizuho	Neutral	Buy
TITN	Baird	Neutral	Outperf

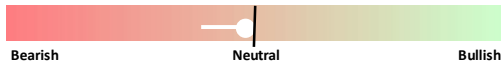
#### Downgrades

Ticker	Firm	From	To
APH	Longbow	Buy	Neutral
DIS	Imperial	Outperf	Inline
DOW	BMO Capital	Outperf	Mkt Perf
KMI	Stifel	Buy	Hold
LYB	Deutsche	Buy	Hold
UNP	Bernstein	Outperf	Mkt Perf

#### Initiations/Reiterations

Ticker	Firm	Action	Rating
BCYC	P Jaffray	Initiated	Overwgt
FANG	Credit Suisse	Reiterated	Outperf
FB	Needham	Reiterated	Hold
LW	JP Morgan	Initiated	Neutral
RTL	Goldman	Initiated	Buy
STX	Needham	Reiterated	Underperf

### Market Timing Model



Category	Expected S&P 500 Return (%)		
	One Week	Two Weeks	One Month
Sentiment	0.07	0.31	0.46
Technicals	0.07	0.20	0.60
Fundamental	0.13	0.25	0.52
<b>Overall</b>	<b>0.08</b>	<b>0.26</b>	<b>0.51</b>
Average (all days)	0.13	0.25	0.51

### Indicators/Events

Time	Event	Estimate	Last Report						
			Date	Est	Act.	Diff.	S&P	Best	Worst
8:30	Empire Manufacturing	12.0	5/15	8.0	17.8	9.8	0.58	Tel Svcs	Finl
10:00	NAHB Sentiment	67.0	5/15	64.0	66.0	2.0	0.58	Tel Svcs	Finl

Credit Card Charge Off Data

## Tomorrow

### Economic Indicators & Events

Time	Event	Estimate	Last Report		
			Date	Act. vs. Est.	S&P
8:30	Housing Starts	1239.0	5/16	26.0	0.89
8:30	Building Permits	1290	5/16	-7.0	0.89

### Earnings Reports

Ticker	Date	TOD	Estimate	
			EPS	Revs.
ADBE	6/18/19	AM	1.78	2,706
JBL	6/18/19	AM	0.57	6,009
LZB	6/18/19	AM	0.64	457

### Conferences & Meetings

- VZ Analyst Meeting
- JP Morgan Energy Conference
- Jefferies Consumer Conference
- Oppenheimer Consumer Conference

### Dividends & Splits

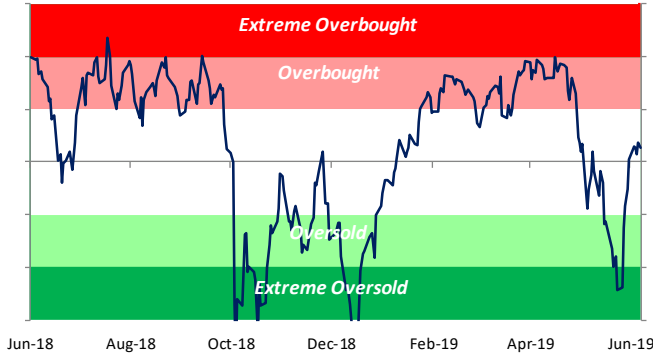
STX	0.63	APH	0.23
CINF	0.56		

### Index Changes

None



### S&P 500 50-Day Moving Average Spread



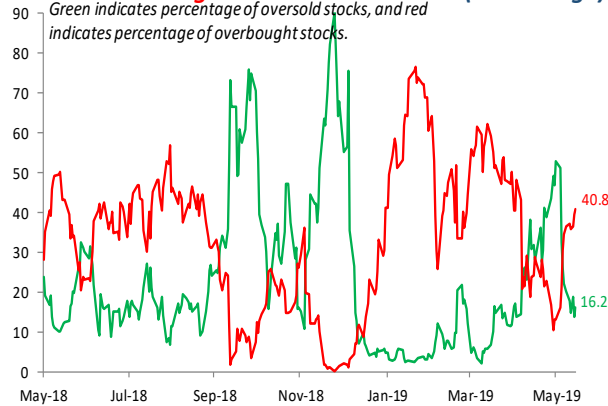
### S&P 500 Internals

Indicator	Change	Current	One Week Ago
50-Day Moving Avg Spread	↑	0.5 %	0.1 %
10-Day A/D Line	↑	1580	620
# of Overbought Stocks	↑	204	182
# of Oversold Stocks	↓	81	101
P/E Ratio			
Trailing	↑	18.90	18.81
Forward	↑	17.34	17.24
Dividend Yield	↓	1.94 %	1.95 %
Net Earnings Revisions	↑	-4.3 %	-5.9 %
<b>Credit Spreads (bps)</b>			
High Yield	↓	424	437
Corporate Bonds	↓	132	134

### Yesterday's Movers

Ticker	% Chg.	Occ.	Average Return (%)			
			Next Day		Next Week	
			Chg.	Percent Up	Chg.	Percent Up
HLIT	8.8	34	-1.1	41.2	-0.5	50.0
IIPR	7.5	32	0.9	62.5	2.4	56.3
BOOT	4.1	52	-0.3	40.4	1.1	50.0
IVC	3.6	27	2.3	77.8	2.5	59.3
SPN	-12.2	12	0.6	33.3	-7.5	16.7
ENTA	-11.9	2	-0.1	50.0	6.5	100.0
NBR	-10.9	4	0.8	50.0	-7.7	0.0
ESV	-9.9	75	-0.1	49.3	-1.5	40.0

### S&P 500 Overbought and Oversold Stocks (Percentage)



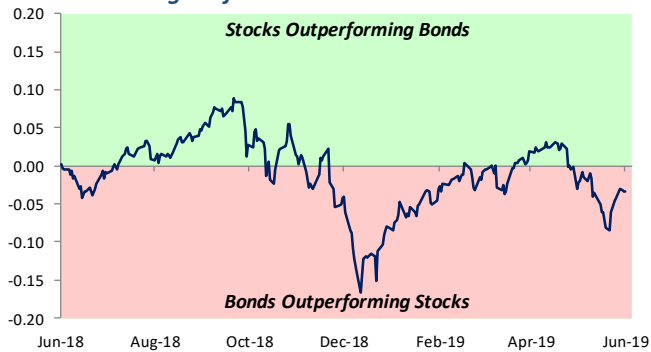
### Trading Ranges: Sectors

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

### 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
CF	46.00	2.30	-0.86	48.8
JCI	39.95	1.26	-0.24	54.3

### Relative Strength of Stocks versus Bonds



### Trading Ranges: Bonds/Commodities

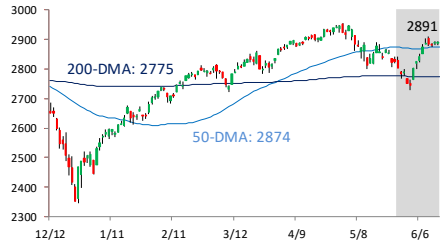
Commodity	Current	1 Wk Ago	OS	N	OB
\$/Euro	N	OS			
\$/Yen	OS	OS			
2-Year	OB	OB			
10-Year	OB	OB			
Gold	OB	OB			
Silver	N	N			
Copper	OS	OS			
Crude Oil	OS	OS			
Heating Oil	OS	OS			
Gasoline	OS	OS			
Natural Gas	OS	OS			

### S&P 500 Oversold Stocks Most Likely to Rise

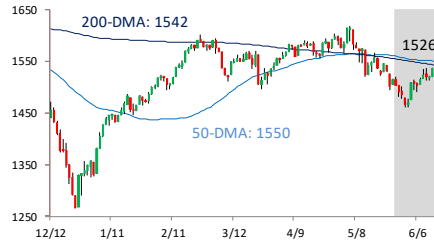
Ticker	Price	Standard Deviations Below 50-Day Avg	Avg % Return (One Week)	Percent of Time Positive
NFLX	339.73	-1.72	1.99	67.9
ADSK	158.16	-1.82	0.50	61.1
AVGO	265.93	-1.21	0.75	57.8
UNP	166.99	-1.30	0.50	55.8
ABMD	250.96	-1.76	0.84	51.2



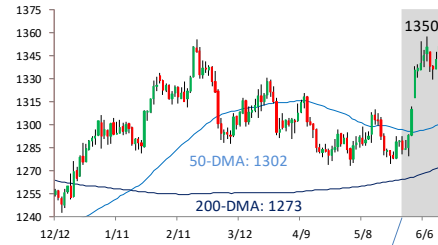
**S&P 500: Last Six Months**



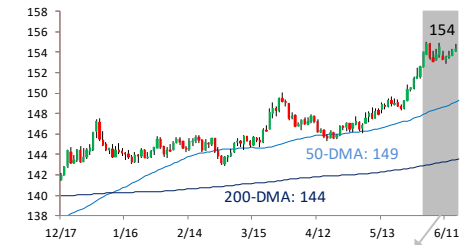
**Russell 2000: Last Six Months**



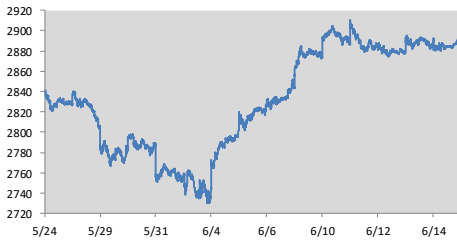
**Gold Future: Last Six Months**



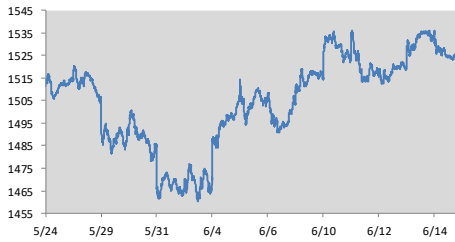
**Long Bond Future: Last Six Months**



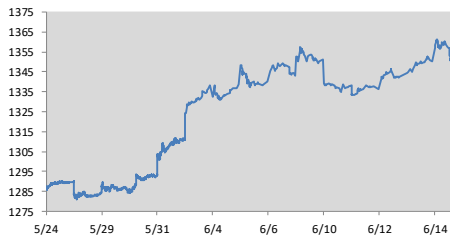
**S&P 500: Last 15 Trading Days**



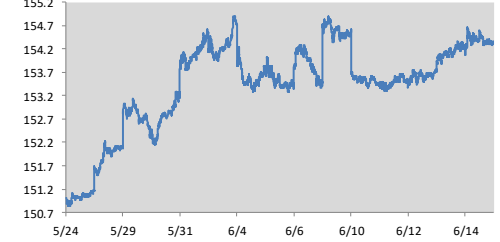
**Russell 2000: Last 15 Trading Days**



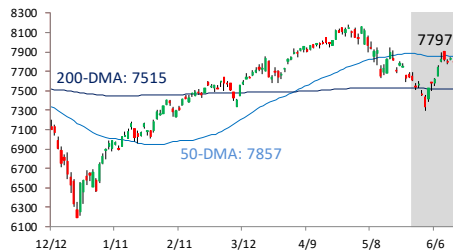
**Gold Front Month Future: Last 15 Trading Days**



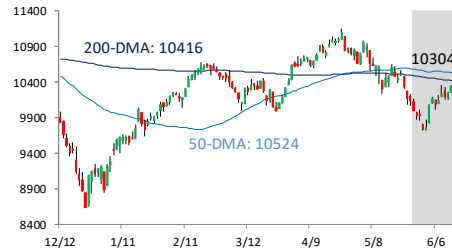
**Long Bond Future Intraday: Last 15 Trading Days**



**Nasdaq Composite: Last Six Months**



**DJ Transports: Last Six Months**



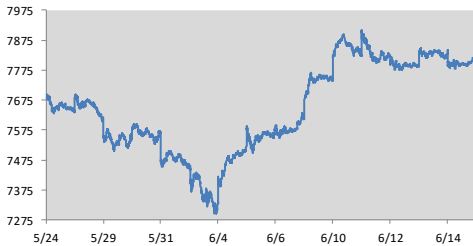
**Oil Future: Last Six Months**



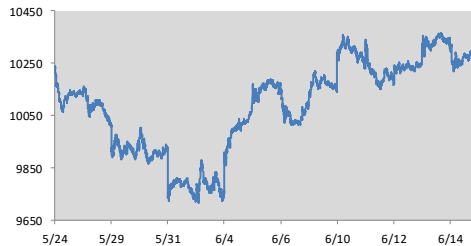
**BBG US Dollar Index: Last Six Months**



**Nasdaq Composite: Last 15 Trading Days**



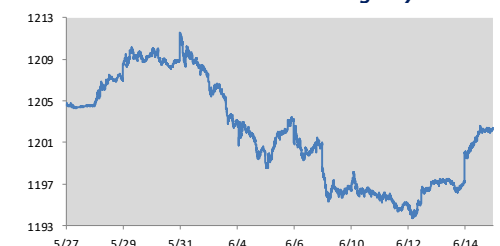
**DJ Transports: Last 15 Trading Days**



**Oil Future: Last 15 Trading Days**



**BBG US Dollar Index: Last 15 Trading Days**





## Morning Commentary

**Overview:** US equities are poised to open almost 20 bps higher to start the trading week. The Fed meets on Tuesday and Wednesday, while markets will also eagerly await manufacturing (NY Fed today, Philly Fed Thursday, Markit Flash on Friday) and housing data (NAHB today, starts tomorrow, existing home sales Friday). The USD is down slightly today after its biggest gain since April on Friday; rates are modestly higher. [Economic scorecard](#)

**Hong Kong:** Over the weekend, two million residents of Hong Kong took to the streets in peaceful protests that put an exclamation point on the withdrawal of the extradition bill that had been proposed by the government. The climb-down was a massive blow to Chinese prestige; while autocratic game-playing can take China very far, President Xi and other decisionmakers do have constraints, and when street protests number in the millions with global media attention, there's not much to be done. That constraint is a worthwhile reminder that every system of government has its constraints, and for China they may be much closer to the surface than we typically assume.

**APAC Markets:** Equity markets were mixed to open the APAC week but generally finished the day lower. Shanghai, H-shares, and Hong Kong were all higher, and the Nikkei was about flat but other indices declined including a 1.3% slump in India. From mid-May through early June, the SENSEX ripped 8.5% to all-time highs thanks to the large mandate Prime Minister Modi won in his re-election bid. Since, the index is off 3.25%, with the drop today coming thanks in part to new tariffs on US goods introduced today, a response to Trump Administration tariff hikes from June. Iron ore dropped for a second day running, copper is testing the lowest closing levels since January, and the US dollar is broadly stronger in the region. NZDUSD is the exception, bouncing off YTD lows after a 1.2% decline Friday (its largest since March and third-largest of the year).

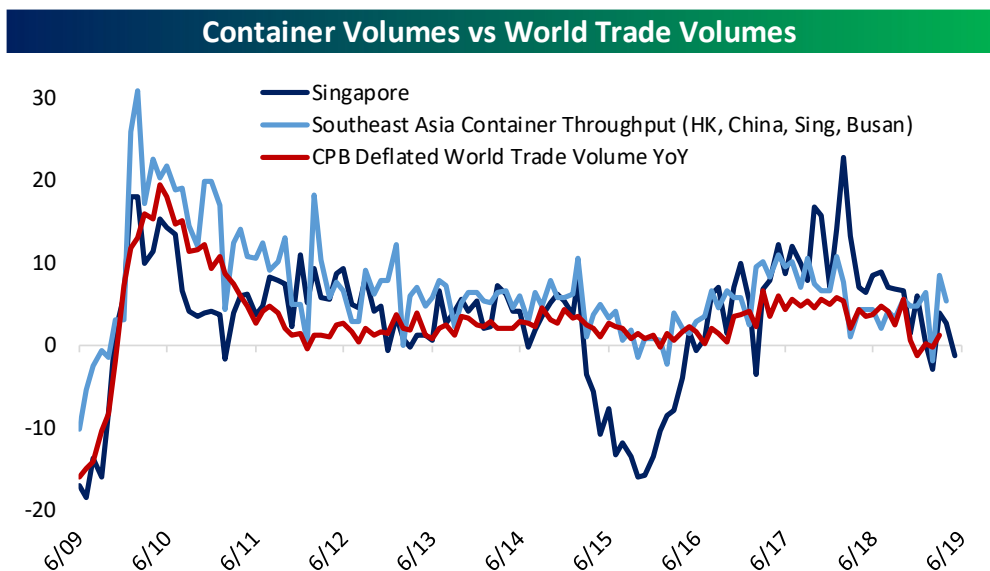
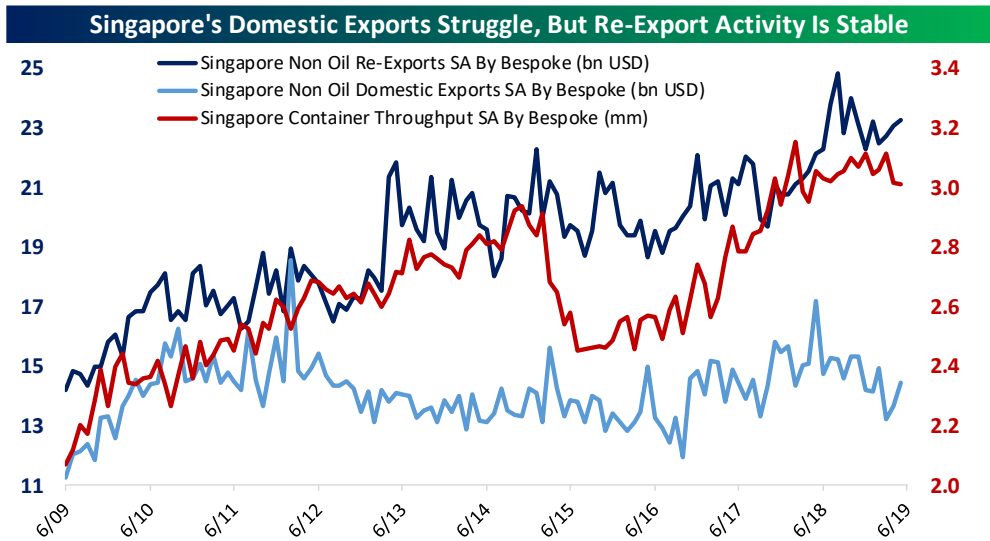
**Europe Equity Movers:** German national airline Lufthansa is down over 11% after cutting its full-year earnings outlook and announcing a provision for taxes. Especially weak was the "Eurowings" low-cost segment, which won't see revenue growth this year and has sent competitors Ryanair (-6.1%) and easyJet (-5.3%) down as well. Air France-KLM is also down 4.6%. UK packaging name DS Smith was up big last week on strong numbers, but a downgrade from Exane this morning has the name down 4.2%. UK supermarket Tesco is up today after a positive ratings revision Friday. Ironically, the biggest gainer on the Stoxx 600 is an airport, the opposite of what you might expect given the airline price action. Flughafen Zurich, the public entity that controls Zurich's airport, is up 3.6% thanks to a Swiss court ruling which was less negative for the name than it could have been. Deutsche Bank is up 2.2% on news it's considering closing its US equities unit and is considering the sale of impaired assets via a "bad bank".

**Europe Markets:** The Stoxx 600 has made two lower lows and two lower highs since its YTD peak back in April; it's hard to be too optimistic about the index until that trend reverses. Airlines are dragging down Travel/Leisure by over 1%, but the rest of the index's supersectors are evenly split between gains and losses and none of them are up or down by over 75 bps. Credit markets are looking more optimistic than equity markets, with investment grade and financial CDS tighter on the session, cash high yield and IG credit tighter in spread, and Italian bonds flying tighter. Rates are slightly higher, while EURUSD is clinging to its 50-DMA. Keep in mind that this week is the ECB's annual forum in Sintra, Portugal, with numerous Draghi speeches over the next few days.



## Morning Commentary

**Singapore Exports:** Overnight, Singapore released trade data for the month of May. MoM export growth beat expectations for the Singapore-specific non-oil domestic exports number, which rose 6.2% sequentially. As shown in the first chart below, while domestic exports have softened considerably over the last year or so, overall container volumes are holding steady and re-exports (ex petroleum) look much stronger than domestic exports. It's hard to get too worried about the state of global trade activity with numbers like this, especially given the strong sequential improvement from the domestic numbers. It's worth noting that even relatively stable container volumes are much weaker than peers around the region. In the second chart below, we show YoY growth in container throughput at select APAC ports and compare it to the deflated value of global trade (that is, volume) produced every month by the Netherlands' statistical agency. As shown, container volumes look pretty solid, suggesting a rebound from the flirtation with YoY declines in global trade activity.

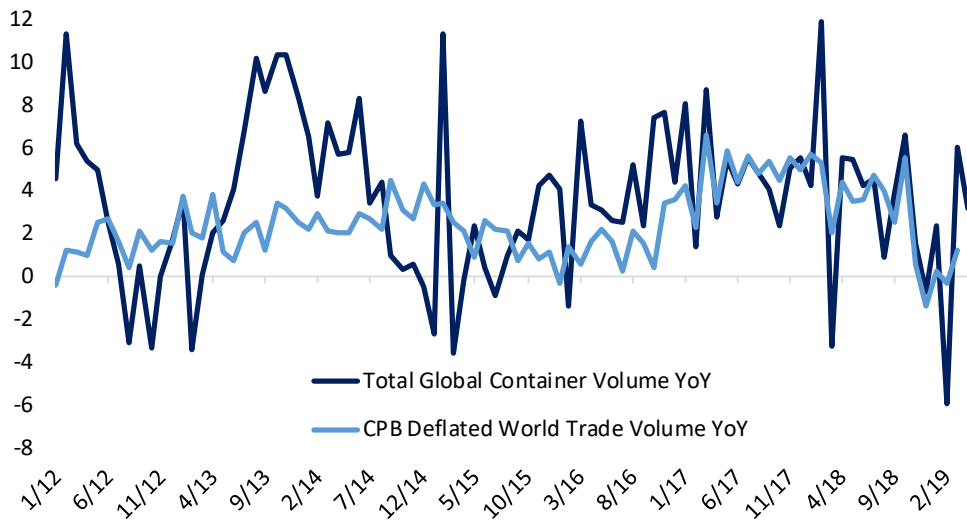




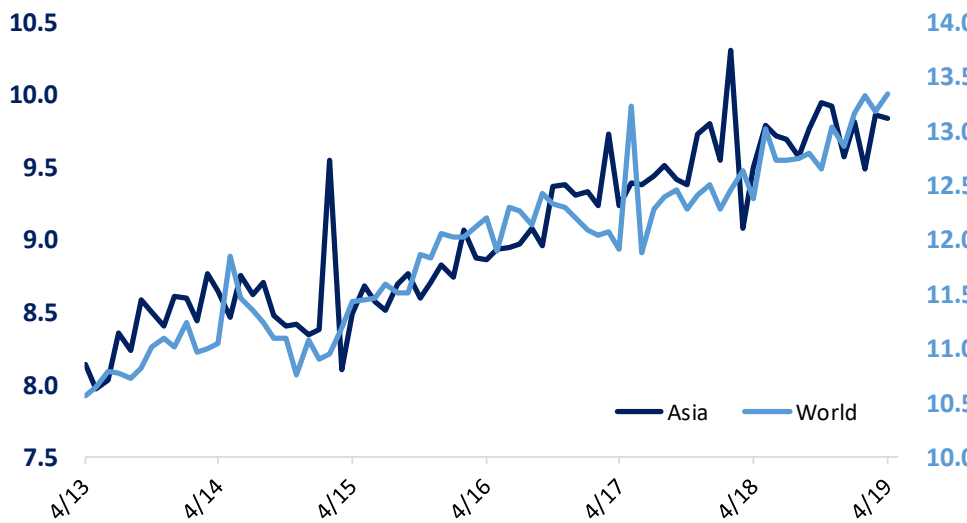
## Morning Commentary

**Container Volumes:** In addition to our own ad-hoc container volume index on the prior page, we can also take a look at global container volumes as collated by World Liner Data. As shown in the first chart below, YoY changes in the global container volume data tend to correlate pretty well with global trade activity changes as captured by the CPB’s deflated measure. That suggests a big rebound in the YoY CPB numbers over coming months. Despite fears of global weakness and trade tariff impacts, we cannot emphasize this enough: April saw record global container volumes across all trade routes, and those related to Asia have basically been stable over the past year. There is no massive decline in trade activity (regardless of cause) in these numbers.

### Container Volumes vs World Trade Volumes



### World Container Volumes Hit A Record In April

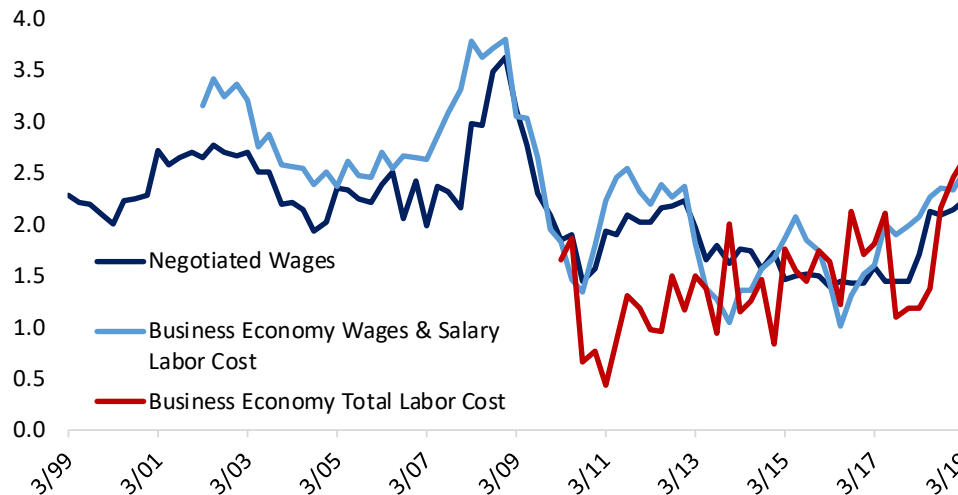




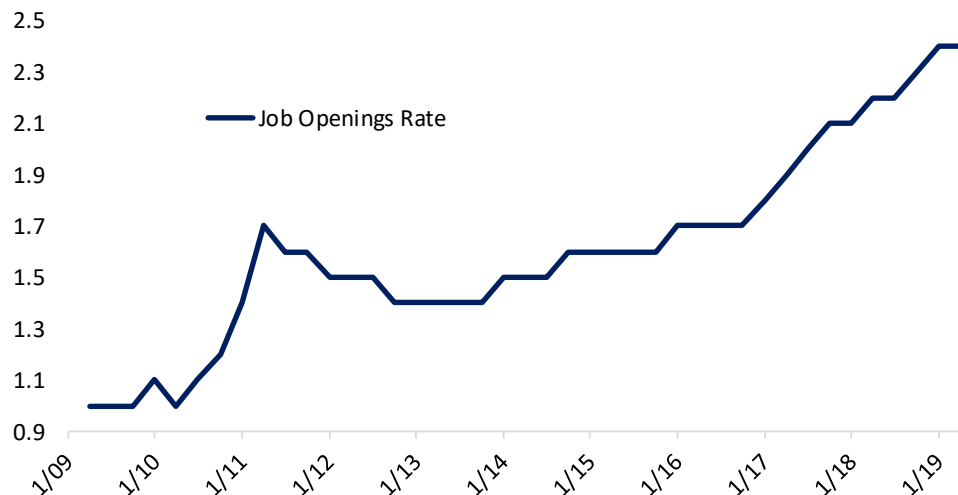
## Morning Commentary

**Eurozone Labor Markets:** Today Eurostat released two labor market series for the Eurozone: labor costs and job openings. As shown in the chart below, labor costs are making new highs, consistent with higher rates of wage growth captured by the negotiated wages series (which tracks wage growth detailed in organized labor contracts). Since the global financial crisis, only Q3 of 2011 had faster wages & salaries growth. Sequentially, wages & salaries per hour rose 2.7% in Q1 (at annual rates). That doesn't seem like much, but with inflation persistently soft it represents real labor market tightening. With unemployment 0.3% above a record low for the bloc and job opening rates at the highest levels since the series was constructed in 2009, accelerating wages make sense. Markets are pricing a very different outlook from the current data: 10-year inflation breakevens are around 1% and falling sharply. That just *doesn't make sense* based on the data from labor markets.

### Eurozone Wages Continue To Accelerate (YoY)



### Eurozone Openings Rate Rising Steadily





## Morning Commentary

**US Markets:** NAHB data on homebuilder sentiment and Empire Manufacturing data are the two big releases today; Draghi's first speech from Sintra is due at 1:00 PM EDT. [Economic scorecard](#). [Interactive Earnings Calendar](#).

### Major Asset Class Dashboard

Asset	Level	Change	5d Chg	3m Chart	Asset	Level	Change	5d Chg	3m Chart		
(bps)					(bps)						
<b>Equity Futs</b>	S&P 500	2898.00	11.2	220.4		<b>Commodity</b>	Gold	1340.40	-30.5	393.1	
	Russell	1530.50	14.4	75.7			Silver	14.81	1.4	178.8	
	VIX Fut	15.66	-72.9	-744.7			WTI	51.99	-99.0	-1191.1	
	TSX	974.50	11.3	-2.1			Copper	262.20	-34.2	-288.9	
<b>Trsy Yields</b>	2 Year	187.48	3.4	-28.9		<b>Int'l Equity</b>	Nikkei	21124.00	3.4	3.2	
	5 Year	186.22	3.0	-25.8			CSI 300	3654.83	-0.2	169.5	
	10 Year	210.63	2.6	-21.4			ASX 200	6530.91	-35.2	116.0	
	30 Year	260.31	1.8	-14.8			Stoxx 600	378.35	-12.1	65.4	
<b>Curves/BE</b>	2s10s	22.74	-0.8	7.3		<b>FX</b>	BBG USD	1201.96	-2.9	1.6	
	5s30s	73.92	-1.1	11.0			EURUSD	1.1229	18.7	23.2	
	5 Yr BE	148.06	-0.1	146.4			USDJPY	108.70	12.9	-55.8	
	10 Yr BE	163.87	-0.1	162.1			EM FX	61.84	2.9	27.1	
<b>Eurodollars</b>	Jun '19	97.58	-0.6	10.7		<b>Credit</b>	CDX IG	61.06	-0.6	-3.7	
	Sep '19	97.90	-2.5	29.5			iTraxx IG	61.05	-2.5	-7.1	
	Dec '19	98.02	-4.0	31.5			CDX HY	354.15	-4.0	-8.7	
	Mar '20	98.20	-4.0	32.5			iTraxx HY	274.46	-4.0	-19.9	