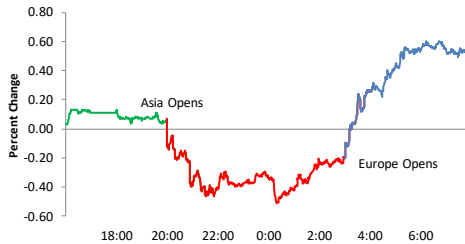




Today's Events

Overnight Trading



Other Markets

Japan	↓	-0.5 %
China	↓	-1.1
Germany	↑	0.7
UK	↑	0.8
Oil	56.73	↑ \$0.5
Gold	1422	↑ \$14.0
\$/Euro	0.886	↓ 0.00
\$/Yen	107.7	↓ -0.2
10-Yr	1.96	↓ -0.02

Noteworthy Macro Events

- US Treasury Yields Continue Decline to Lowest Levels Since 2016.
- Trump Picks Two New Fed Nominees Who Support Easier Policy.

Overnight Trading

Trading Up (\$):
 TSLA (17.22), SYMC (3.86), OMN (3.5), AMZN (3.19), BYND (1.53), NFLX (1.37)

Trading Down (\$):
 AVGO (-11.83), UFS (-1), FB (-0.97), WMT (-0.65), JPM (-0.6), NXPI (-0.2)

Stock Specific News of Note

Ticker	News
AA	Sees \$1.72 charge related to disposition of Saudi venture.
AMZN	Says it will create an add'l 2,000 permanent jobs in UK this year.
AVGO	Bloomberg reports that company is in advanced talks to acquire SYMC.
CGC	CEO, Chairman, and Board member Bruce Linton terminated from company.
ISCA	Missed EPS forecasts by 3 cents (0.36 vs 0.39) on weaker revenues; reaffirmed guidance.
JEF	Beat EPS forecasts by 4 cents (0.41 vs 0.37) on stronger revenues.
RHT	IBM acquisition approved by Taiwan antitrust agency.
SYMC	Bloomberg reports that company is in advanced talks to be acquired by AVGO.
TSLA	Reports record Q2 deliveries above consensus forecasts; says orders exceeded deliveries.
USNA	Lowered Q2 and full year guidance citing challenging consumer environment in China.

Analyst Actions

Upgrades

Ticker	Firm	From	To
None			

Downgrades

Ticker	Firm	From	To
INGN	JP Morgan	Mkt Wgt	Underwgt

Initiations/Reiterations

Ticker	Firm	Action	Rating
FHN	P Jaffray	Initiated	Overwgt
MRK	Mizuho	Initiated	Buy
SOHU	Citi	Resumed	Neutral

Tomorrow

Economic Indicators & Events

Time	Event	Estimate	Last Report		
			Date	Act. vs. Est.	S&P
8:30	Non Farm Payrolls	164	6/7	-100	1.05
8:30	Private Payrolls	155	6/7	-84	1.05
8:30	Manufact Payrolls	1	6/7	0	1.05
8:30	Unemployment Rate	3.6	6/7	0.0	1.05
8:30	Avg Hourly Earnings	0.3	6/7	-0.1	1.05
8:30	Avg Weekly Hours	34.4	6/7	-0.1	1.05

Earnings Reports

Ticker	Date	TOD	Estimate	
			EPS	Revs.
None				

Conferences & Meetings

Ticker	Date	Time	Topic
None			

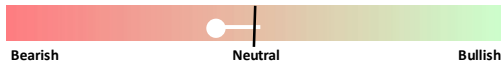
Dividends & Splits

Ticker	Amount	Pay Date	Company	Yield
UVV	0.76	6/28	ROP	0.46
MDT	0.54	6/28	PFBC	0.30
DGX	0.53	6/28		

Index Changes

SRC	Will replace SM in the S&P 400 effective 7/9.
SM	Will replace LABL in the S&P 600 effective 7/9.

Market Timing Model



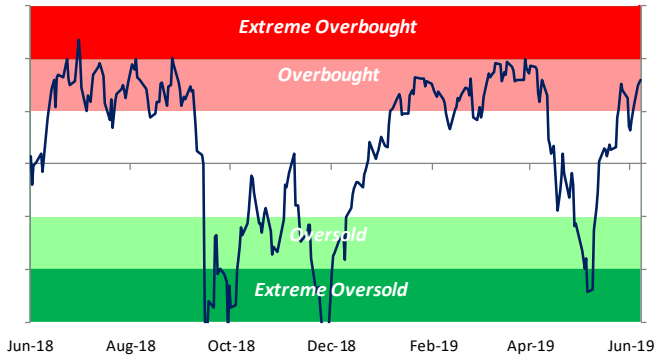
Category	Expected S&P 500 Return (%)		
	One Week	Two Weeks	One Month
Sentiment	0.06	0.20	0.46
Technicals	0.06	0.19	0.46
Fundamental	0.15	0.22	0.46
Overall	0.07	0.20	0.46
Average (all days)	0.13	0.25	0.51

Indicators/Events

Time	Event	Estimate	Last Report						
			Date	Est	Act.	Diff.	S&P	Best	Worst
8:15	ADP Employment	140.0	6/5	185	27	-158	0.82	Util	Ener
8:30	Trade Balance	-\$54.0 bln	6/6	-50.7	-50.8	-0.1	0.61	Ener	Indu
8:30	Initial Claims	223K	6/27	220	227	7	0.38	Finl	Ener
8:30	Continuing Claims	1675K	6/27	1665	1688	23	0.38	Finl	Ener
9:45	Markit Services	50.7	6/21	51.0	50.7	-0.3	-0.13	Ener	Indu
10:00	Factory Orders	-0.6	6/4	-1.0	-0.8	0.2	2.14	Tech	Util
10:00	Durable Goods	-1.3	6/26	-0.3	-1.3	-1.0	-0.12	Ener	Util
10:00	ISM Services	56.0	6/5	55.4	56.9	1.5	0.82	Util	Ener
10:30	DoE Energy Inventories								
12:00	EIA Natural Gas Stockpiles								
13:00	Baker Hughes Rig Count								



S&P 500 50-Day Moving Average Spread



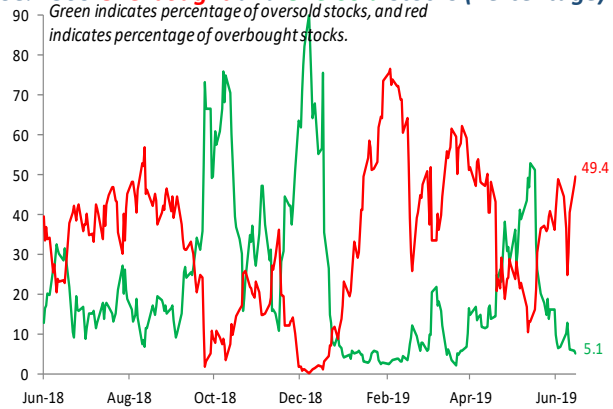
S&P 500 Internals

Indicator	Change	Current	One Week Ago
50-Day Moving Avg Spread	↑	3.1 %	1.3 %
10-Day A/D Line	↑	853	418
# of Overbought Stocks	↑	247	182
# of Oversold Stocks	↓	26	50
P/E Ratio			
Trailing	↑	19.53	19.16
Forward	↑	17.88	17.58
Dividend Yield	↓	1.89 %	1.93 %
Net Earnings Revisions	↓	-17.5 %	-4.3 %
Credit Spreads (bps)			
High Yield	↓	399	409
Corporate Bonds	↓	121	124

Yesterday's Movers

Ticker	% Chg.	Occ.	Average Return (%)			
			Next Day		Next Week	
			Chg.	Percent Up	Chg.	Percent Up
CARS	6.1	8	-1.6	37.5	-2.3	37.5
HPR	-9.8	69	0.1	52.2	-0.6	50.7
UNT	-9.1	63	0.2	54.0	1.3	52.4
RRC	-8.4	34	0.0	50.0	-1.0	47.1
OIS	-8.3	33	-0.5	45.5	-2.2	42.4

S&P 500 Overbought and Oversold Stocks (Percentage)



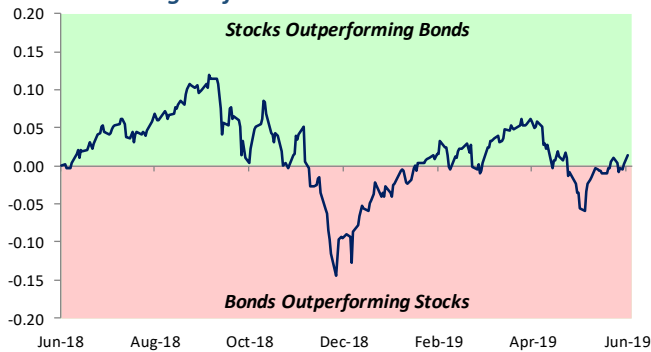
Trading Ranges: Sectors

Index/Sector	Current	1 Wk Ago	OS	N	OB
S&P 500	OB	N	█		█
Cons Discret.	OB	N	█		█
Cons Staples	OB	OB	█		█
Energy	N	N	█		█
Financials	OB	N	█		█
Health Care	OB	OB	█		█
Industrials	N	N	█		█
Materials	OB	OB	█		█
Technology	OB	N	█		█
Comm. Svcs	OB	N	█		█
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
IPG	23.19	1.87	-0.57	45.7
UHS	129.79	1.80	-0.26	54.3

Relative Strength of Stocks versus Bonds



Trading Ranges: Bonds/Commodities

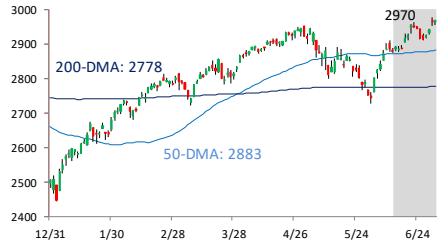
Commodity	Current	1 Wk Ago	OS	N	OB
\$/Euro	N	OS	█		█
\$/Yen	OS	OS	█		█
2-Year	OB	OB	█		█
10-Year	OB	OB	█		█
Gold	OB	OB	█		█
Silver	OB	OB	█		█
Copper	N	N	█		█
Crude Oil	N	N	█		█
Heating Oil	N	N	█		█
Gasoline	N	N	█		█
Natural Gas	OS	OS	█		█

S&P 500 Oversold Stocks Most Likely to Rise

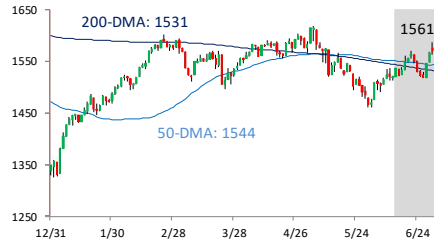
Ticker	Price	Standard Deviations Below 50-Day Avg	Avg % Return (One Week)	Percent of Time Positive
RTN	171.03	-2.54	1.21	62.5
CNC	51.35	-1.25	0.47	57.8
EXC	48.05	-1.52	0.41	56.6



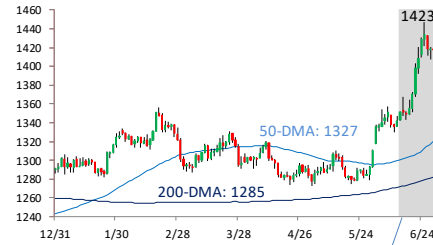
S&P 500: Last Six Months



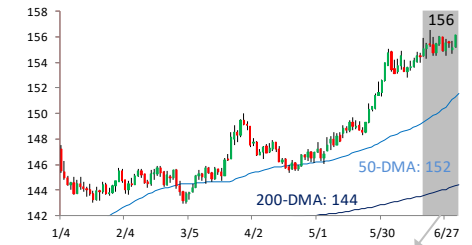
Russell 2000: Last Six Months



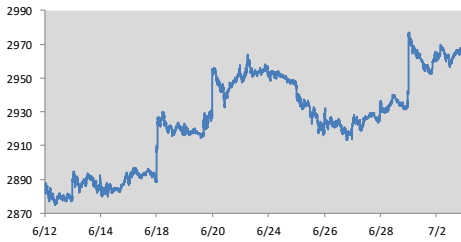
Gold Future: Last Six Months



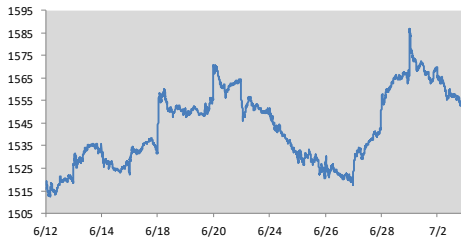
Long Bond Future: Last Six Months



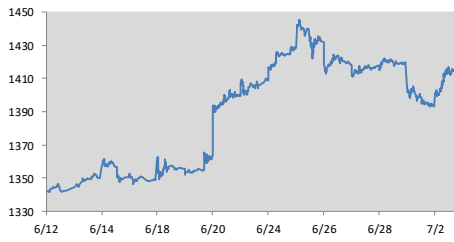
S&P 500: Last 15 Trading Days



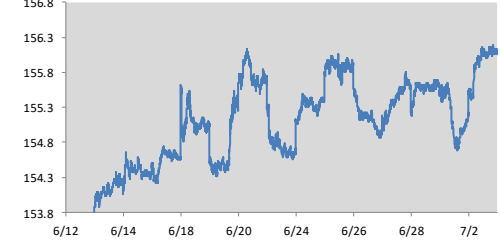
Russell 2000: Last 15 Trading Days



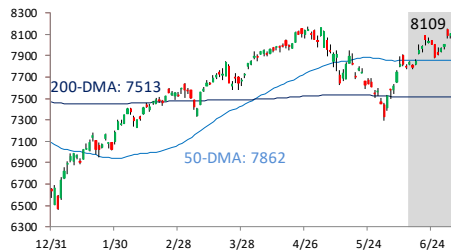
Gold Front Month Future: Last 15 Trading Days



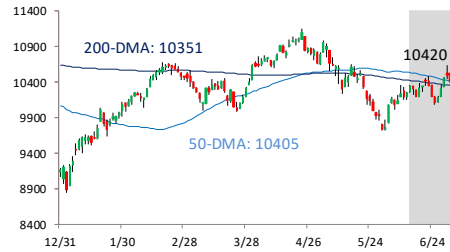
Long Bond Future Intraday: Last 15 Trading Days



Nasdaq Composite: Last Six Months



DJ Transports: Last Six Months



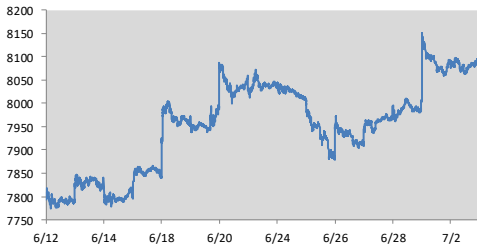
Oil Future: Last Six Months



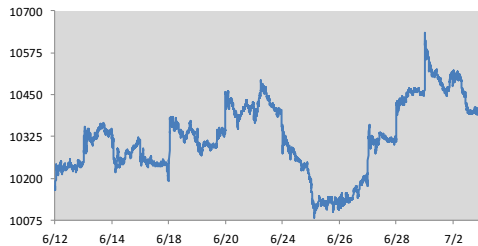
BBG US Dollar Index: Last Six Months



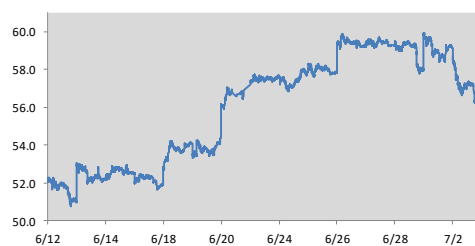
Nasdaq Composite: Last 15 Trading Days



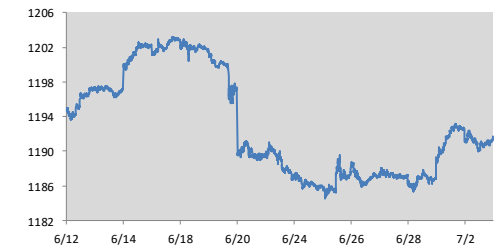
DJ Transports: Last 15 Trading Days



Oil Future: Last 15 Trading Days



BBG US Dollar Index: Last 15 Trading Days





Morning Commentary

Overview: The S&P 500 futures market is at an all-time high as-of this writing, suggesting stocks will gap up 35 bps to a new record high water mark. After some tentative hawkishness by Cleveland Fed President Mester yesterday (“I prefer to see more information before changing our policy stance”), UST yields at fresh lows from the belly of the curve out. The dollar is slightly weaker a second day running, helping firm up commodity markets including WTI. Gold futures have had an absolutely wild session, gaining as much as 1.4% and knocking on the highs from last week before reversing most of those gains. [Economic scorecard](#)

New Fed Nominees: After three different failed attempts to nominate more Fed Governors (Goodfriend, Cain, and Moore), President Trump has proposed two new names for the FOMC. Christopher Waller is a less controversial option, currently serving as the Executive Vice President and Director of Research for the St. Louis Fed. His 2011 article *Independence + Accountability: Why the Fed Is a Well-Designed Central Bank* ([link](#)) suggests that his views on Fed independence are firmly traditional, while various technical pieces supporting the deployment of QE suggest he would not be knee-jerk hawkish. In our view, it’s hard to imagine Waller not passing Senate scrutiny, and he would likely be a relatively dovish committee member.

The same ease of passage is not likely to be true of Judy Shelton. Shelton was an aggressive critic of low interest rate policy prior to the 2016 election, and has a history as something of a gadfly. For instance, in a 2000 WSJ Op Ed entitled *North America Doesn't Need Borders* ([link](#); [paywall](#)) she advocated eliminating the Mexican border, describing Mexican President Vicente Fox’s proposal for open borders as “steeped in pragmatism.” She also argued for an “amero” similar to the euro, combining the NAFTA currencies into one bloc. More recently, she argued in a 2011 e-book that “we need to instill automatic discipline through gold convertibility” (a gold standard), insisted under-regulation was not to blame for the global financial crisis, argued the Fed should not be allowed to engage in QE, and said a 2-3% inflation target was “highly immoral.” Of course, this all sounds remarkably hawkish, and it was: all of the above comments came *before* 2016. This May, she argued zero rates would actually be beneficial now because fiscal policy changes have “boosted growth and productivity” (never mind that any reasonable economic model would argue that those boosts—which don’t have much evidentiary support anyways—would justify *higher* rates). The Senate has already confirmed Shelton for her current position as Executive Director of the European Bank for Reconstruction & Development, but handing her an FOMC seat seems more dramatic and more difficult of a process. Shelton is more of a political nominee with the potential to be dovish for Republican administrations (her current stance) and hawkish when Democrats are in control the White House.

Ironically, if the President wanted a slate of nominees for the FOMC who would act as significant monetary doves, there are a litany of candidates with longstanding support for lower rates to draw on, who he could rely on to argue for lower rates and more dovish policy to support activity. The problem is *none* of them are his supporters in any meaningful sense of the word. For instance, if every nominee the President had offered the Senate had a resume similar to Waller’s, the entire confirmation process would have been much easier from the get-go.



Morning Commentary

PMIs: Services and Composite PMIs released by Markit overnight were mixed but much stronger than manufacturing tallies. We summarize all the Markit surveys released so far for June in the tables below.

Markit June Services PMIs						Markit June Manufacturing PMIs					
Country	Current	Last	Change	Year Ago	Change	Country	Current	Last	Change	Year Ago	Change
	Level	Month		Level			Level	Level			
Ireland	56.9	57.0	-0.1	59.5	-2.6	Myanmar	53.0	54.2	-1.2	50.0	3.0
Germany	55.8	55.4	0.4	54.5	1.3	Vietnam	52.5	52.0	0.5	55.7	-3.2
Spain	53.6	52.8	0.8	55.4	-1.8	Greece	52.4	54.2	-1.8	53.5	-1.1
Eurozone	53.6	52.9	0.7	55.2	-1.6	India	52.1	52.7	-0.6	53.1	-1.0
France	52.9	51.5	1.4	55.9	-3.0	Australia	52.0	51.0	1.0	55.0	-3.0
Australia	52.6	51.5	1.1	52.7	-0.1	France	51.9	50.6	1.3	52.5	-0.6
China	52.0	52.7	-0.7	53.9	-1.9	Philippines	51.3	51.2	0.1	52.9	-1.6
Japan	51.9	51.7	0.2	51.4	0.5	Brazil	51.0	50.2	0.8	49.8	1.2
US*	50.7	50.9	-0.2	56.5	-5.8	Netherlands	50.7	52.2	-1.5	60.1	-9.4
Italy	50.5	50.0	0.5	54.3	-3.8	US	50.6	50.5	0.1	55.4	-4.8
UK	50.2	51.0	-0.8	55.1	-4.9	Indonesia	50.6	51.6	-1.0	50.3	0.3
Russia	49.7	52.0	-2.3	52.3	-2.6	Thailand	50.6	50.7	-0.1	50.2	0.4
India	49.6	50.2	-0.6	52.6	-3.0	Ireland	49.8	50.4	-0.6	56.6	-6.8
<i>*Note: Flash</i>						China	49.4	50.2	-0.8	51.0	-1.6
Average	52.3	52.3	0.0	54.6	-2.3	Global	49.4	49.8	-0.4	52.9	-3.5
EM Average	50.4	51.6	-1.2	52.9	-2.5	Japan	49.3	49.8	-0.5	53.0	-3.7
DM Average	52.9	52.5	0.4	55.1	-2.2	Canada	49.2	49.1	0.1	57.1	-7.9
Markit June Composite PMIs						Mexico	49.2	50.0	-0.8	52.1	-2.9
Country	Current	Last	Change	Year Ago	Change	Russia	48.6	49.8	-1.2	49.5	-0.9
	Level	Month		Level		Level	Poland	48.4	48.8	-0.4	54.2
UAE	57.7	59.4	-1.7	57.1	0.6	Italy	48.4	49.7	-1.3	53.3	-4.9
Saudi Arabia	57.4	57.3	0.1	55.0	2.4	UK	48.0	49.4	-1.4	54.0	-6.0
Nigeria	54.8	52.9	1.9	58.4	-3.6	Turkey	47.9	45.3	2.6	46.8	1.1
Ireland	54.4	54.1	0.3	58.1	-3.7	Spain	47.9	50.1	-2.2	53.4	-5.5
Kenya	54.3	51.3	3.0	55.0	-0.7	Malaysia	47.8	48.8	-1.0	49.5	-1.7
France	52.7	51.2	1.5	55.0	-2.3	Eurozone	47.6	47.7	-0.1	54.9	-7.3
Germany	52.6	52.6	0.0	54.8	-2.2	Austria	47.5	48.3	-0.8	56.6	-9.1
Australia	52.5	51.5	1.0	52.9	-0.4	South Korea	47.5	48.4	-0.9	49.8	-2.3
Eurozone	52.2	51.8	0.4	54.9	-2.7	Czech. Rep.	45.9	46.6	-0.7	56.8	-10.9
Spain	52.1	52.1	0.0	54.8	-2.7	Taiwan	45.5	48.4	-2.9	54.5	-9.0
Japan	50.8	50.7	0.1	52.1	-1.3	Germany	45.0	44.3	0.7	55.9	-10.9
India	50.8	51.7	-0.9	53.3	-2.5	Average	49.4	49.9	-0.5	53.2	-3.9
US*	50.6	50.9	-0.3	56.2	-5.6	EM Average	49.5	49.9	-0.5	51.6	-2.2
Singapore	50.6	52.1	-1.5	56.0	-5.4	DM Average	49.3	49.8	-0.5	55.1	-5.8
China	50.6	51.5	-0.9	53.0	-2.4						
Italy	50.1	49.9	0.2	53.9	-3.8						
South Africa	49.7	49.3	0.4	50.9	-1.2						
UK	49.7	50.9	-1.2	55.1	-5.4						
Egypt	49.2	48.2	1.0	49.4	-0.2						
Russia	49.2	51.5	-2.3	52.0	-2.8						
Lebanon	46.3	46.3	0.0	46.0	0.3						
<i>*Note: Flash</i>											
Average	51.8	51.8	0.1	54.0	-2.2						
EM Average	51.3	51.4	-0.1	53.1	-1.8						
DM Average	52.3	52.1	0.2	54.8	-2.5						



Morning Commentary

APAC Markets: The best-performing index in APAC for a US-based investor (that is, USD performance) this year may come as a surprise: Chinese large-cap A-shares have surged almost 30% in USD, significantly better than the next-best non-China index (Australian shares are up 18.0% YTF in USD). Overnight, markets were generally lower, with Australia (economic data beats) the major exception. In FX, local currencies were all over the map.

New European Leadership: Yesterday national leaders of the EU (the European Council) announced a slate of nominees for key offices for confirmation by the EU Parliament. Three notables: French IMF President Christine Lagarde will head the ECB (currently run by Italian Mario Draghi), German CDU politician Ursula von der Leyen will run the European Commission civil service (currently headed by Luxembourgian Jean-Claude Juncker), and Belgian Charles Michel will head the European Council (replacing Poland's Donald Tusk). None of these three represent a major departure from the current European policy backdrop, in our view, though it is notable that von der Leyen was supported broadly given her past comments that she wants to see a "United States of Europe." Both her and Michel are basically centrist politicians in their home countries, while Lagarde is widely regarded as a safe (if somewhat surprising) choice to helm the ECB. She will be the first woman to run the ECB, and von der Leyen will be the first woman to helm the European Commission. We should note that this slate of candidates represents yet another win in a long list for German Chancellor Angela Merkel, who pushed von der Leyen over Dutch center-left politician Frans Timmerman. We should note that the European Parliament elected Italian Socialist David Sassoli as its President, suggesting a disconnect between the Council and Parliament; something to watch going forward.

Europe Markets: EURUSD has stabilized after falling the last two days, and now has a shot at making another higher low despite fresh record lows for European bond yields (10 year bunds trade -38.5 bps as-of this writing). European rates are bid in general as Italian spreads crush tighter thanks to a cave by the Italian government yesterday: they will seek a 2% deficit goal and avoid further confrontation with the EU over their spending and taxation plans. Stocks are up on 5:1 positive breadth.

European Equity Movers: The only earnings report for the Stoxx 600 this morning was UK supermarket Sainsbury, reporting comp sales down 1.6%, citing an "uncertain" consumer outlook. Shares are off 2%. With indices up sharply, there's not much in the way of major decliners to talk about. Only one stock is down more than 3%: Finnish shipboard power plant manufacturer Wartsila is off 3.6% after a JPM downgrade this morning. Valeo (French auto parts maker) is down 2.4%, the next-worst performer on the index, continuing its decline following a downgrade yesterday and despite a solid performance from auto OEMs after US auto sales beat yesterday.

Fiat-Chrysler, Porsche, Ferrari, BMW, Volkswagen, and Peugeot are all up 1%, while parts makers (Hella, Continental, Faurecia, Valeo) lag. The biggest gainer on the Stoxx 600 this morning is Flutter, an Irish mobile gaming company that rocketed up 11% on rumors of a buyout by private equity. Polish integrated energy company Polski Koncern Naftowy Orlen is up 5.8% on no news in particular, while video game maker Ubisoft has surged another 4.6% in response to yesterday's report that Sony is considering going M&A shopping in the space. It's that headline (along with Flutter) that is driving outperformance of the Travel & Leisure sector mentioned above.



Morning Commentary

US Markets: With the Fourth of July holiday jumping into the middle of this week, there's a massive slate of data today. Please see our [Economic scorecard](#) for a full run-down of what's on tap, and remember to check back for updates as the data is released throughout the morning! [Interactive Earnings Calendar](#).

Major Asset Class Dashboard

Asset	Level	Change (bps)	5d Chg	3m Chart	Asset	Level	Change (bps)	5d Chg	3m Chart
Equity Futs	S&P 500	2986.00	21.8	242.7	Commodity	Gold	1422.40	102.3	70.8
	Russell	1570.40	26.2	328.2		Silver	15.27	17.7	-35.9
	VIX Fut	14.25	17.6	-1389.7		WTI	56.80	97.8	-407.0
	TSX	985.60	34.6	155.6		Copper	266.00	-15.0	-197.2
Trsy Yields	2 Year	175.15	-1.0	-1.7	Int'l Equity	Nikkei	21638.16	-53.4	261.6
	5 Year	173.03	-1.3	-6.5		CSI 300	3893.53	-110.8	261.5
	10 Year	195.66	-1.7	-9.0		ASX 200	6685.46	48.5	67.7
	30 Year	248.70	-1.4	-8.2		Stoxx 600	392.44	80.9	267.9
Curves/BE	2s10s	20.31	-0.6	-7.1	FX	BBG USD	1190.23	-11.3	24.4
	5s30s	75.58	0.0	-1.7		EURUSD	1.1292	6.2	-67.7
	5 Yr BE	149.56	-0.2	148.0		USDJPY	107.68	-18.5	-10.2
	10 Yr BE	164.92	-0.2	163.2		EM FX	62.98	5.2	30.3
Eurodollars	Jun '19	97.98	1.5	-1.5	Credit	CDX IG	51.89	1.5	-5.4
	Sep '19	98.08	2.0	-1.5		iTraxx IG	49.25	2.0	-5.7
	Dec '19	98.29	2.5	-0.5		CDX HY	319.28	2.5	-13.8
	Mar '20	98.39	2.5	0.5		iTraxx HY	241.84	2.5	-21.6