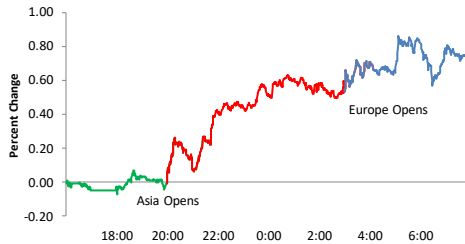




Today's Events

Overnight Trading



Other Markets

| | | |
|---------|----------|-------|
| Japan | ↑ | 0.5 % |
| China | ↓ | 0.0 |
| Germany | ↓ | -0.2 |
| UK | ↓ | -0.1 |
| Oil | 60.67 ↑ | \$0.2 |
| Gold | 1421.7 ↑ | \$9.2 |
| \$/Euro | 0.886 ↓ | 0.00 |
| \$/Yen | 108.05 ↓ | -0.4 |
| 10-Yr | 2.06 ↑ | 0.00 |

Noteworthy Macro Events

- US Futures Rally as Dollar Weakens.

Overnight Trading

Trading Up (\$):

AMZN (9.59), CI (9.49), UNH (6.52), HUM (6.09), GOOGL (5.97), CVS (2.54)

Trading Down (\$):

PSMT (-3.74), GRUB (-3.31), MAN (-2), FAST (-1.57), LLY (-1.53), CMA (-1.42)

Stock Specific News of Note

| Ticker | News |
|--------|--|
| AIR | Beat EPS forecasts by 2 cents (0.64 vs 0.62) on stronger revenues; lowered guidance. |
| BBBY | Beat EPS forecasts by 4 cents (0.12 vs 0.08) on inline revenues; guided to low end of range. |
| COST | Same store sales rose 5.4% in June vs 4.2% in 2018. |
| DAL | Beat EPS forecasts by 7 cents (2.35 vs 2.28) on inline revenues; raised guidance. |
| EAT | Announces acquisition of 116 Chili's restaurants; will be accretive to EPS. |
| FAST | Missed EPS forecasts by 1 cent (0.36 vs 0.37) on inline revenues. |
| PSMT | Missed EPS forecasts by 4 cents (0.46 vs 0.50) on weaker revenues. |
| SHW | Ace Hardware will reportedly switch from Sherwin Williams to Benjamin Moore paints. |
| UBER | Needham sees bull case price target of \$130 per share. |
| VSH | Lowered Q2 guidance citing weaker demand. |

White House scraps plans to end drug rebates for pharmacy benefit managers.

Analyst Actions

Upgrades

| Ticker | Firm | From | To |
|--------|-------------|----------|---------|
| FCX | Deutsche | Hold | Buy |
| SRC | MStanley | Mkt Wgt | Overwgt |
| WLTW | Wells Fargo | Mkt Perf | Outperf |
| WW | JP Morgan | Underwgt | Neutral |

Downgrades

| Ticker | Firm | From | To |
|--------|---------------|---------|-----------|
| AA | Deutsche | Buy | Hold |
| APD | UBS | Buy | Neutral |
| IP | Citigroup | Buy | Neutral |
| MAN | Credit Suisse | Neutral | Underperf |
| PH | Wells Fargo | Outperf | Mkt Perf |
| RF | Merrill | Buy | Neutral |

Initiations/Reiterations

| Ticker | Firm | Action | Rating |
|--------|---------|-----------|--------|
| AAP | Goldman | Initiated | Sell |
| BBBY | Goldman | Initiated | Sell |
| COST | Goldman | Initiated | Buy |
| HD | Goldman | Initiated | Buy |
| LOW | Goldman | Initiated | Buy |
| TGT | Goldman | Initiated | Buy |

Market Timing Model



| Category | Expected S&P 500 Return (%) | | |
|--------------------|-----------------------------|-------------|-------------|
| | One Week | Two Weeks | One Month |
| Sentiment | 0.04 | 0.16 | 0.43 |
| Technicals | 0.11 | 0.27 | 0.57 |
| Fundamental | 0.04 | 0.12 | 0.44 |
| Overall | 0.06 | 0.18 | 0.44 |
| 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 | CPI | 0.0 | 6/12 | 0.1 | 0.1 | 0.0 | -0.2 | Util | Ener |
| 8:30 | Core CPI | 0.2 | 6/12 | 0.2 | 0.1 | -0.1 | -0.2 | Util | Ener |
| 8:30 | Initial Claims | 221 | 7/3 | 223 | 221 | -2 | 0.77 | C St. | Mat. |
| 8:30 | Continuing Claims | 1683 | 7/3 | 1675 | 1686 | 11 | 0.77 | C St. | Mat. |
| 14:00 | Monthly Budget | -\$7.7 bln | 6/12 | -202 | -208 | -6 | -0.2 | Util | Ener |
| 10:00 | Powell Testifies Before Senate Panel | | | | | | | | |
| 10:30 | EIA Natural Gas Stockpiles | | | | | | | | |
| 11:10 | Fed's Williams Speaks in Albany | | | | | | | | |
| 12:15 | Fed's Bostic Speaks at Monetary Policy Conference | | | | | | | | |
| 12:30 | Fed's Barkin Speaks at Rocky Mountain Summit | | | | | | | | |
| 13:30 | Fed's Quarles Speaks on Monetary Policy | | | | | | | | |
| 17:00 | Fed's Kashkari Speaks in South Dakota | | | | | | | | |

Tomorrow

Economic Indicators & Events

| Time | Event | Estimate | Last Report | | |
|------|----------|----------|-------------|---------------|-------|
| | | | Date | Act. vs. Est. | S&P |
| 8:30 | PPI | 0.0 | 6/11 | 0.0 | -0.03 |
| 8:30 | Core PPI | 0.2 | 6/11 | 0.0 | -0.03 |

Earnings Reports

| Ticker | Date | TOD | Estimate | |
|--------|------|-----|----------|-------|
| | | | EPS | Revs. |
| None | | | | |

Conferences & Meetings

- 10:00 Fed's Evans Speaks in Chicago
- 13:00 Baker Hughes Rig Count

Dividends & Splits

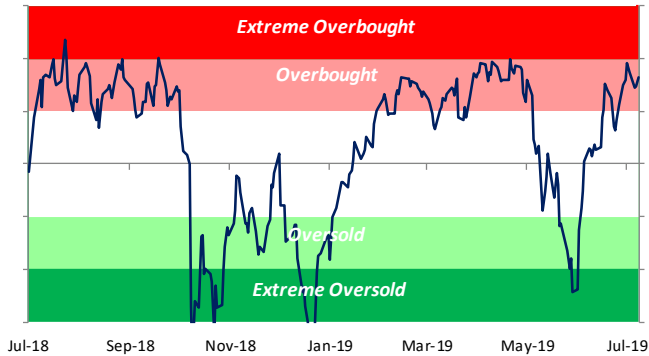
| | | | |
|------|------|-----|------|
| ABBV | 1.07 | ABT | 0.32 |
| MAA | 0.96 | HRL | 0.21 |

Index Changes

TMUS Will replace RHT in the S&P 500 effective 7/15.



S&P 500 50-Day Moving Average Spread



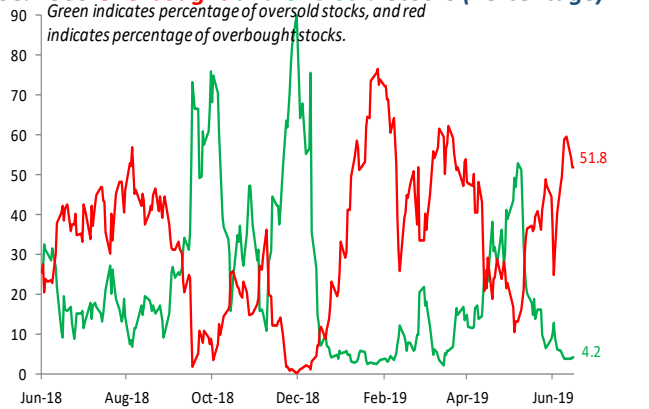
S&P 500 Internals

| Indicator | Change | Current | One Week Ago |
|-----------------------------|--------|---------|--------------|
| 50-Day Moving Avg Spread | ↑ | 3.6 % | 3.1 % |
| 10-Day A/D Line | ↑ | 953 | 853 |
| # of Overbought Stocks | ↑ | 259 | 247 |
| # of Oversold Stocks | ↓ | 21 | 26 |
| P/E Ratio | | | |
| Trailing | ↓ | 19.67 | 19.69 |
| Forward | ↑ | 18.02 | 18.00 |
| Dividend Yield | ↑ | 1.88 % | 1.88 % |
| Net Earnings Revisions | | -17.5 % | -17.5 % |
| Credit Spreads (bps) | | | |
| High Yield | ↑ | 403 | 402 |
| Corporate Bonds | ‡ | 120 | 120 |

Yesterday's Movers

| Ticker | % Chg. | Occ. | Average Return (%) | | | |
|--------|--------|------|--------------------|------------|-----------|------------|
| | | | Next Day | | Next Week | |
| | | | Chg. | Percent Up | Chg. | Percent Up |
| SGH | 24.8 | 12 | -1.7 | 41.7 | -3.7 | 33.3 |
| HLIT | 24.6 | 7 | -0.1 | 28.6 | 1.8 | 57.1 |
| MDR | 12.9 | 6 | 0.9 | 66.7 | -2.7 | 33.3 |
| NE | 11.2 | 8 | -0.1 | 50.0 | -2.9 | 37.5 |
| RLGY | -9.1 | 18 | -1.4 | 38.9 | -2.6 | 33.3 |
| GVA | -9.0 | 9 | 1.1 | 88.9 | -0.6 | 55.6 |
| AAOI | -5.0 | 54 | -0.2 | 46.3 | -1.0 | 46.3 |

S&P 500 Overbought and Oversold Stocks (Percentage)



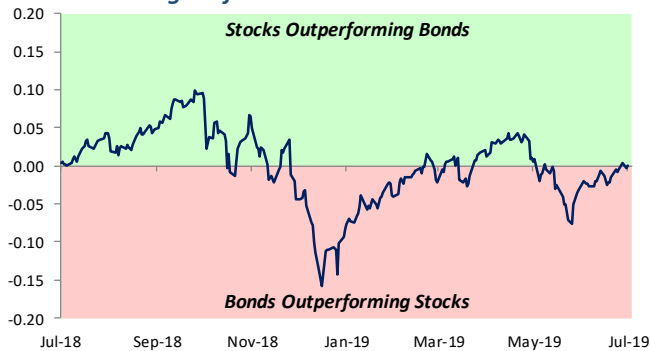
Trading Ranges: Sectors

| Index/Sector | Current | 1 Wk Ago | OS | N | OB |
|---------------|---------|----------|----|---|----|
| S&P 500 | OB | OB | █ | | █ |
| Cons Discret. | OB | OB | █ | | █ |
| Cons Staples | OB | OB | █ | | █ |
| Energy | OB | N | █ | | █ |
| Financials | OB | OB | █ | | █ |
| Health Care | OB | OB | █ | | █ |
| Industrials | N | N | █ | | █ |
| Materials | N | OB | █ | | █ |
| Technology | OB | OB | █ | | █ |
| Comm. Svcs | OB | OB | █ | | █ |
| 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 |
|--------|-------|--------------------------------------|-------------------------|--------------------------|
| OMC | 83.98 | 1.94 | -0.30 | 40.5 |
| IPG | 23.34 | 1.82 | -0.50 | 47.5 |

Relative Strength of Stocks versus Bonds



Trading Ranges: Bonds/Commodities

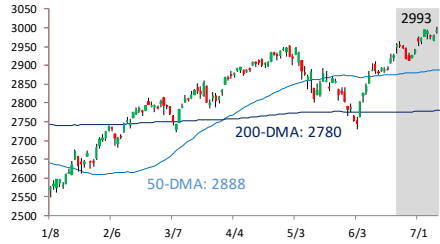
| Commodity | Current | 1 Wk Ago | OS | N | OB |
|-------------|---------|----------|----|---|----|
| \$/Euro | N | N | █ | | █ |
| \$/Yen | N | OS | █ | | █ |
| 2-Year | N | OB | █ | | █ |
| 10-Year | N | OB | █ | | █ |
| Gold | OB | OB | █ | | █ |
| Silver | OB | OB | █ | | █ |
| Copper | N | N | █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

S&P 500 Oversold Stocks Most Likely to Rise

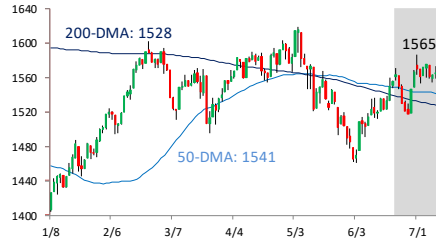
| Ticker | Price | Standard Deviations Below 50-Day Avg | Avg % Return (One Week) | Percent of Time Positive |
|--------|--------|--------------------------------------|-------------------------|--------------------------|
| RCL | 110.69 | -2.51 | 0.12 | 62.5 |



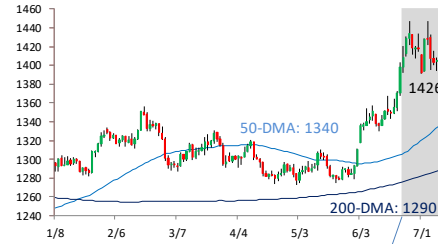
S&P 500: Last Six Months



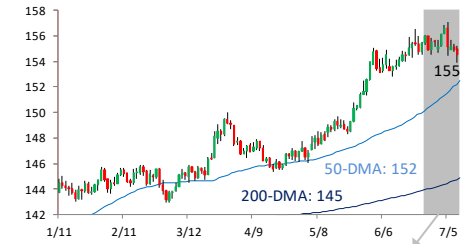
Russell 2000: Last Six Months



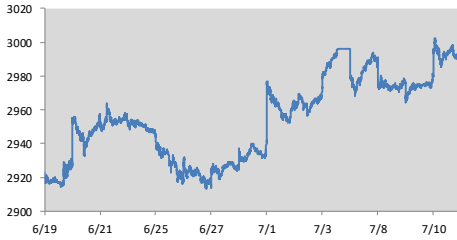
Gold Future: Last Six Months



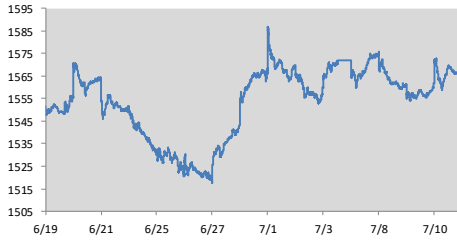
Long Bond Future: Last Six Months



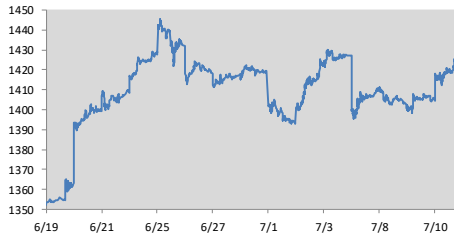
S&P 500: Last 15 Trading Days



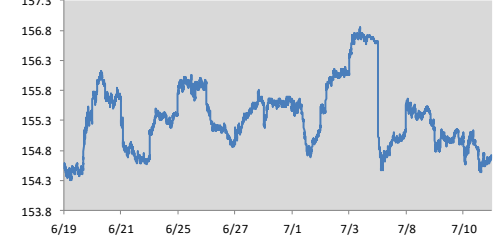
Russell 2000: Last 15 Trading Days



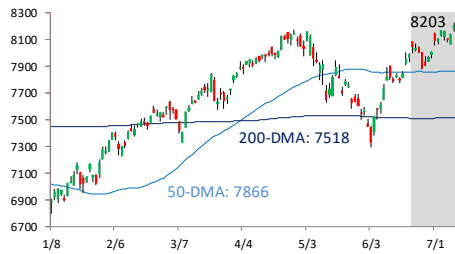
Gold Front Month Future: Last 15 Trading Days



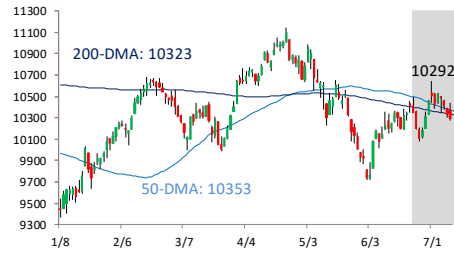
Long Bond Future Intraday: Last 15 Trading Days



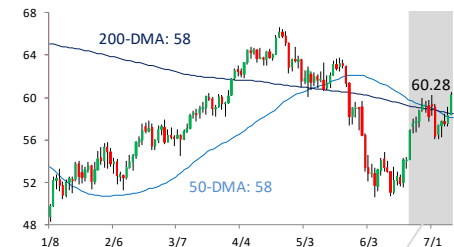
Nasdaq Composite: Last Six Months



DJ Transports: Last Six Months



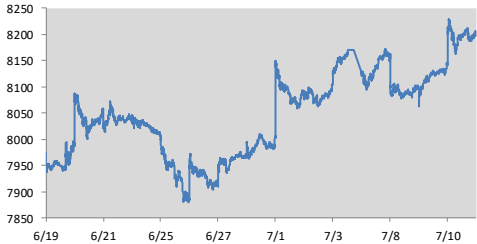
Oil Future: Last Six Months



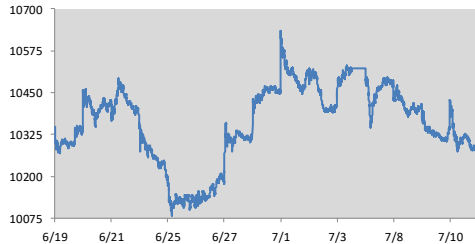
BBG US Dollar Index: Last Six Months



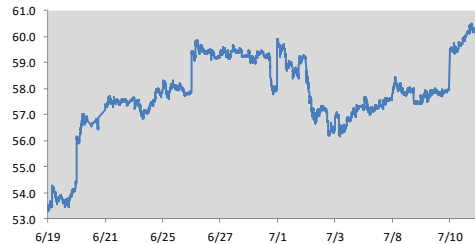
Nasdaq Composite: Last 15 Trading Days



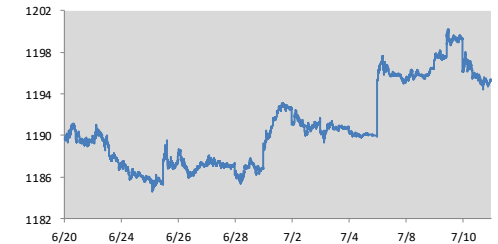
DJ Transports: Last 15 Trading Days



Oil Future: Last 15 Trading Days



BBG US Dollar Index: Last 15 Trading Days





Morning Commentary

Overview: Equities are poised to open up a quarter of a percent as the US yield curve bull steepens further. Over the last three sessions, the US long bond yield has risen almost 6 bps, versus an 8 bps decline for the two year note yield, sending 2s30s near to its steepest levels of the past year. Equity markets continue to run with S&P 500 futures just below their session and all-time highs from yesterday. A weak dollar and strong oil are definitely helping sentiment, despite early indications of credit spreads either unchanged or wider to open the session. [Economic scorecard](#)

APAC Markets: Stocks rose in APAC trade with the exception of Chinese A-shares, which tried to gap up but lost ground across the session and closed down slightly. Korea gained 1%, leading the region, while other major indices were up but more modestly. Japan and South Korea continue to feud over a Korean court decision that allows for the seizure of Japanese company assets as recompense for conscription of Koreans during the period when Japan occupied the peninsula. Japan has banned the export of some materials key to the Korean chipmaking industry, while Korea has refused to enter arbitration with Japan over the claims made about occupation compensation. On top of economic disruptions, the dispute is a non-trivial security concern thanks to North Korea. In FX, KRW was a significant outperformer as with equities: KRW rose 0.7% versus USD on a broad advance for local currency that saw only HKD lower versus the dollar. More broadly, the Bloomberg USD index is down over half a percent in the last two days.

Europe Markets: To follow up yesterday's discussion about the Lega Nord-Russia connection, today public prosecutors in Milan have opened up an investigation of the political party after the release of audio from the meeting.

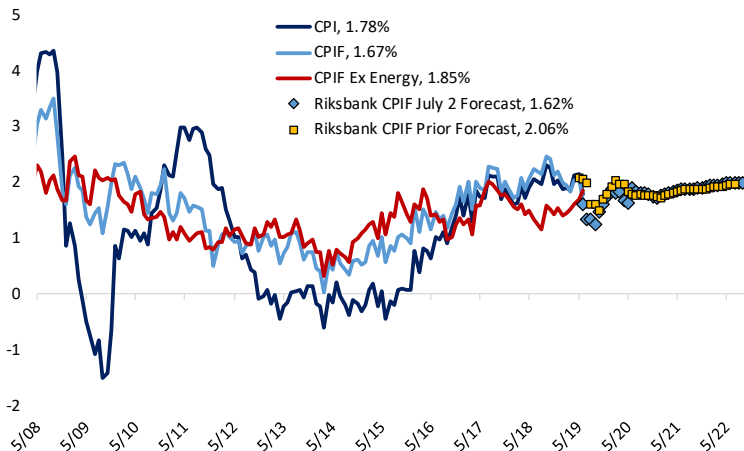
European equity markets gapped up, took a tumble into 6:30 AM lows fractionally in the red, and have since reclaimed a 20 bps gain versus yesterday's close. With oil at a two month high, it's no surprise that Oil & Gas supersector stocks would be leading the Stoxx 600, while Utilities are also up a healthy clip despite further bear-steepening of the bunds curve (30y yield +3.5 bps this morning). Earnings this morning came from Norwegian bank DNB (Q2 net income missed, new CFO; stock off 2.6%) and German medicine container manufacturer Gerresheimer (Q2 revenues in-line, forecast reiterated for the year; stock up 8.5%). Positive RICS data last night in the UK (a leading indicator of home prices) has UK homebuilders like Barratt Developments up a healthy clip, while a Barclays upgrade for British equipment company Cobham has that stock bid; GS is out with an upgrade for engineering firm Meggitt that has that stock up as well. Steelmakers (led by Voestalpine of Austria) are falling, while Swiss construction firm Sika is down 4.5% on a UBS downgrade.

The latest US-related trade spat is with France, where the French Senate passed a bill that would apply a 3% tax on revenues from digital advertising, user data sales, and other similar activities passed. The bill only applies to large companies with at least 750mm EUR of sales worldwide and 25mm EUR of sales in France. The US Trade Representative is already claiming that the tax violates international trade agreements, and that it burdens or restricts US commerce. From a pragmatists' view, this is just one more trumped up item in a theme that will generate headlines indefinitely without changing much on the ground.

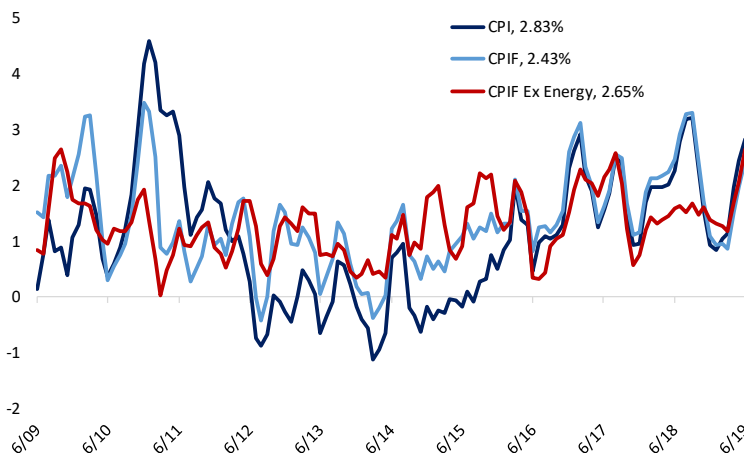


Morning Commentary

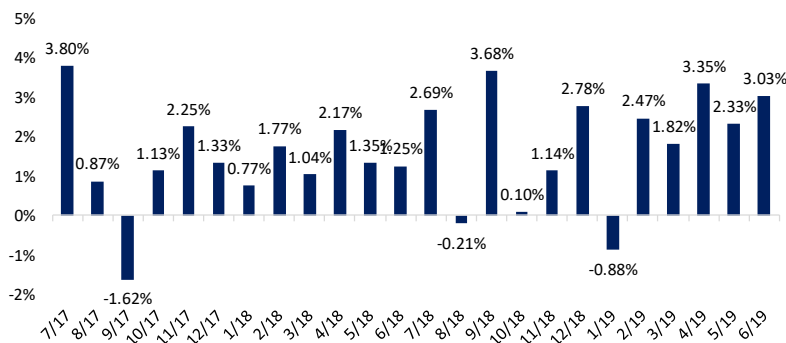
Sweden CPI YoY, Last 10 Years (SA By Bespoke, With Riksbank Forecast)



Sweden CPI 3m/3m, Last 10 Years (SA By Bespoke)



CPIF Ex Energy, MoM Annualized, Past Year



has accelerated. The SEK real effective exchange rate is near record lows. And the central bank’s inflation forecast is being beaten. In our view, SEK is a very compelling currency to own, versus CHF, JPY, EUR, or USD.

Swedish Inflation: At its July 2nd meeting, the Swedish Riksbank forecasted a much slower pace of inflation, with YoY CPIF (CPI with fixed interest costs) bottoming out at 1.24% YoY in September of this year versus 1.49% in October as the bottom in the last survey.

That forecast is looking pretty ridiculous today. CPI came in on-expectations YoY but the high frequency rate of change and underlying strength of core CPI makes a the forecasted declines look unrealistic.

As shown in the second chart at left, CPIF is up 2.4% annualized on a 3m/3m basis, near the top of its range from the last 10 years. CPI is in a similar position. What’s really notable is that ex energy CPIF (CPI with fixed interest rates and excluding energy) is at the fastest 3m/3m pace since the global financial crisis.

The high frequency data is arguably stronger. As shown in the last chart at left, CPIF ex energy is up more than 3% annualized in two of the last three months. Sweden’s current account balance has increased dramatically in recent quarters thanks to a surge in exports, but has been trending narrower while domestic inflation



Morning Commentary

US Markets: Powell will be in front of the Senate today, but he's hardly the only Fed speaker: Williams, Bostic, Barkin, Quarles, and Kashkari are also speaking between 11:00 AM and 5:00 PM. Make sure to check our [Fedspeak Monitor](#) tonight for a full recap. Of course there's also CPI, initial jobless claims, Bloomberg Consumer Comfort, and the monthly budget statement all due today if economic data is of interest. [Economic scorecard](#) [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 | 3003.25 | 19.2 | 7.5 | | Commodity | Gold | 1420.80 | 58.8 | -4.9 | |
| | Russell | 1570.50 | 15.9 | -51.9 | | | Silver | 15.30 | 48.6 | -29.3 | |
| | VIX Fut | 13.90 | -89.1 | -71.4 | | | WTI | 60.62 | 31.4 | 561.0 | |
| | TSX | 987.90 | -1.0 | -25.2 | | | Copper | 268.55 | -31.6 | -1.9 | |
| Trsy Yields | 2 Year | 181.57 | -1.2 | 5.6 | | Int'l Equity | Nikkei | 21643.53 | 51.1 | -27.1 | |
| | 5 Year | 182.60 | 0.0 | 9.2 | | | CSI 300 | 3785.22 | -4.0 | -226.9 | |
| | 10 Year | 206.81 | 0.7 | 11.8 | | | ASX 200 | 6716.14 | 39.4 | -2.8 | |
| | 30 Year | 258.74 | 1.2 | 12.1 | | | Stoxx 600 | 387.78 | 16.3 | -131.3 | |
| Curves/BE | 2s10s | 25.04 | 1.9 | 6.6 | | FX | BBG USD | 1192.60 | -22.8 | 22.5 | |
| | 5s30s | 75.98 | 1.2 | 2.8 | | | EURUSD | 1.1273 | 19.6 | -10.6 | |
| | 5 Yr BE | 160.14 | -0.1 | 158.6 | | | USDJPY | 108.12 | -31.3 | 27.8 | |
| | 10 Yr BE | 174.22 | -0.1 | 172.6 | | | EM FX | 63.12 | 0.0 | -4.4 | |
| Eurodollars | Jun '19 | 97.94 | 1.0 | -3.5 | | Credit | CDX IG | 52.54 | 1.0 | 0.9 | |
| | Sep '19 | 98.03 | 1.0 | -3.5 | | | iTraxx IG | 49.05 | 1.0 | 0.0 | |
| | Dec '19 | 98.21 | 0.5 | -6.0 | | | CDX HY | 321.54 | 0.5 | 6.1 | |
| | Mar '20 | 98.30 | 0.5 | -7.5 | | | iTraxx HY | 246.09 | 0.5 | 6.5 | |