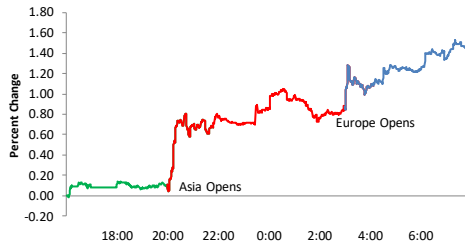




Today's Events

Overnight Trading



Other Markets

Japan	↑	1.0 %
China	↑	0.2
Germany	↑	1.7
UK	↑	0.6
Oil	55.99 ↓	-\$0.2
Gold	1423.4 ↓	-\$3.5
\$/Euro	0.895 ↑	0.00
\$/Yen	108.13 ↑	0.3
10-Yr	2.05 ↑	0.00

Noteworthy Macro Events

- US Lawmakers Reach Debt Deal.
- Boris Johnson Becomes UK PM.

Overnight Trading

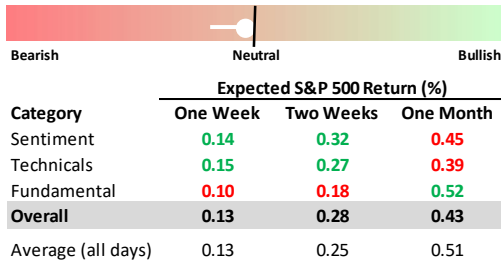
Trading Up (\$): SHW (11.41), AMZN (9.37), LMT (8.37), PII (7.37), DGX (4.98), BYND (4.3)

Trading Down (\$): ACAD (-3.56), ZION (-2.48), Z (-1.42), CNC (-1.29), HOG (-1.03), RDFN (-0.88)

Stock Specific News of Note

Ticker	News
ACAD	Announces that Phase 3 study of schizophrenia study did not meet primary endpoint.
AMTD	Beat EPS forecasts by 7 cents (1.04 vs 0.97) on stronger revenues; CEO to leave in Feb. 2020.
AVY	Beat EPS forecasts by 4 cents (1.72 vs 1.68) on weaker revenues; guided inline.
BIIB	Beat EPS forecasts by 1.61 (9.15 vs 7.54) on stronger revenues; raised guidance.
CDNS	Beat EPS forecasts by 4 cents (0.57 vs 0.53) on inline revenues; guided inline.
HAS	Beat EPS forecasts by 28 cents (0.78 vs 0.50) on stronger revenues.
HOG	Beat EPS forecasts by 7 cents (1.46 vs 1.39) on inline revenues; lowered shipment guidance.
INTC	WSJ reports that AAPL is in talks to acquire smartphone modem chip business.
KMB	Beat EPS forecasts by 5 cents (1.67 vs 1.62) on inline revenues; raised guidance.
KO	Beat EPS forecasts by 2 cents (0.63 vs 0.61) on stronger revenues; raised guidance.
LMT	Beat EPS forecasts by 25 cents (5.00 vs 4.75) on stronger revenues; raised guidance.
PHM	Beat EPS forecasts by 4 cents (0.86 vs 0.82) on inline revenues; orders up 7%.
PII	Beat EPS forecasts by 8 cents (1.73 vs 1.65) on inline revenues; raised guidance.
PNR	Beat EPS forecasts by 4 cents (0.69 vs 0.65) on stronger revenues; lowered revenue guidance.
RLGY	Announces deal with Amazon to partner and launch Turnkey real estate service.
SHW	Beat EPS forecasts by 21 cents (6.57 vs 6.36) on weaker revenues; reaffirmed guidance.
SWK	Beat EPS forecasts by 11 cents (2.66 vs 2.55) on weaker revenues; reaffirmed guidance.
TRV	Missed EPS forecasts by 28 cents (2.02 vs 2.30) on inline revenues.
UTX	Beat EPS forecasts by 15 cents (2.20 vs 2.05) on inline revenues; raised guidance.
WHR	Beat EPS forecasts by 29 cents (4.01 vs 3.72) on stronger revenues; raised guidance.

Market Timing Model



Indicators/Events

Time	Event	Estimate	Last Report						
			Date	Est	Act.	Diff.	S&P		
9:00	FHFA House Price	0.3	6/25	0.2	0.4	0.2	-0.95	Mat.	Tech
10:00	Richmond Fed	5	6/25	2	3	1	-0.95	Mat.	Tech
10:00	Existing Home Sales	5.33 mln	6/21	5.30	5.34	0.04	-0.13	Ener	Indu
None									

Tomorrow

Economic Indicators & Events

Time	Event	Estimate	Last Report		
			Date	Act. vs. Est.	S&P
9:45	Markit Manufact PMI	51.0	7/1	0.5	0.77
9:45	Markit Services PMI	51.8	7/3	0.8	0.77
10:00	New Home Sales	660K	6/25	-58	-0.95

Earnings Reports

Ticker	Date	TOD	Estimate	
			EPS	Revs.
ANTM	7/24/19	AM	4.62	24,901
BA	7/24/19	AM	1.90	19,251
BSX	7/24/19	AM	0.38	2,645
CAT	7/24/19	AM	3.11	14,484
GD	7/24/19	AM	2.69	9358
NOC	7/24/19	AM	4.65	8419
NSC	7/24/19	AM	2.79	2951
UPS	7/24/19	AM	1.93	17982
F	7/24/19	PM	0.31	35240
FB	7/24/19	PM	1.86	16510
LVS	7/24/19	PM	0.78	3377
ORLY	7/24/19	PM	4.67	2606
PYPL	7/24/19	PM	0.74	4336
TSLA	7/24/19	PM	-0.40	6447

Conferences & Meetings

10:30 DoE Energy Inventories

Dividends & Splits

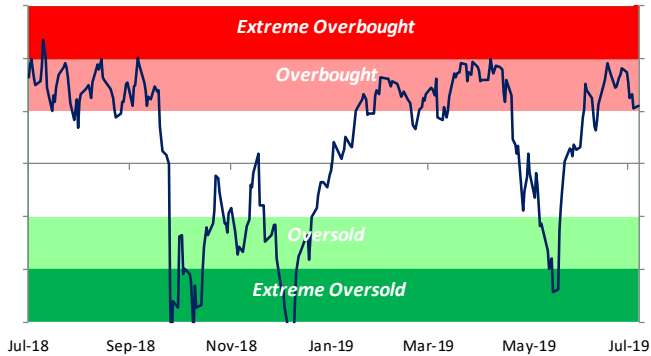
KALU	0.60	DAL	0.40
CVS	0.50	FAST	0.22

Index Changes

None



S&P 500 50-Day Moving Average Spread



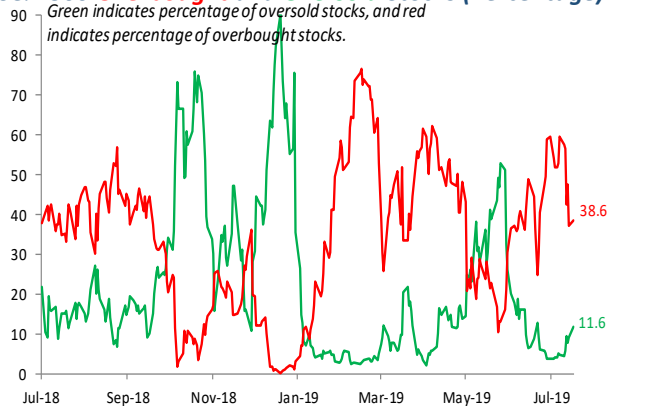
S&P 500 Internals

Indicator	Change	Current	One Week Ago
50-Day Moving Avg Spread	↓	2.9 %	4.2 %
10-Day A/D Line	↓	94	777
# of Overbought Stocks	↓	193	288
# of Oversold Stocks	↑	58	22
P/E Ratio			
Trailing	↓	19.46	19.65
Forward	↓	17.89	18.11
Dividend Yield	↑	1.89 %	1.87 %
Net Earnings Revisions		-17.5 %	-17.5 %
Credit Spreads (bps)			
High Yield	↑	407	400
Corporate Bonds	‡	118	118

Yesterday's Movers

Ticker	% Chg.	Occ.	Average Return (%)			
			Next Day		Next Week	
			Chg.	Percent Up	Chg.	Percent Up
LCI	40.8	10	-0.3	50.0	-0.8	50.0
SPN	23.2	3	-6.6	0.0	-5.8	33.3
HAL	9.1	3	0.3	66.7	0.2	66.7
CRZO	7.2	47	0.5	57.4	-1.5	44.7
HZO	-16.7	4	0.7	50.0	0.7	50.0
CNSL	-9.1	30	-0.7	40.0	-2.6	46.7
JCP	-8.8	65	-1.2	44.6	-1.0	40.0
IIPR	-8.2	22	1.4	63.6	5.2	68.2

S&P 500 Overbought and Oversold Stocks (Percentage)



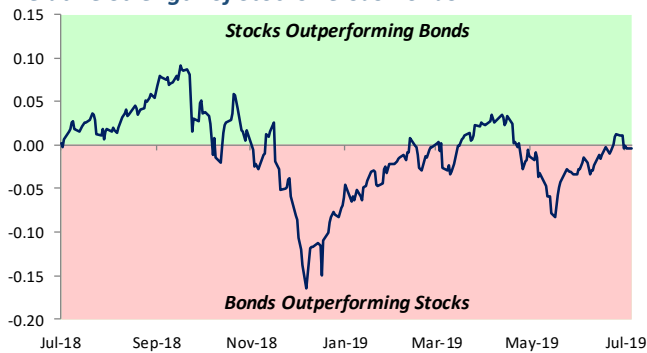
Trading Ranges: Sectors

Index/Sector	Current	1 Wk Ago	OS	N	OB
S&P 500	OB	OB	█		█
Cons Discret.	OB	OB	█		█
Cons Staples	OB	OB	█		█
Energy	N	N			
Financials	OB	OB	█		█
Health Care	N	N			
Industrials	OB	OB	█		█
Materials	N	N			
Technology	OB	OB	█		█
Comm. Svcs	N	OB			
Utilities	N	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
NLSN	23.50	1.03	-0.97	43.4
PRGO	52.28	1.56	-0.61	45.1

Relative Strength of Stocks versus Bonds



Trading Ranges: Bonds/Commodities

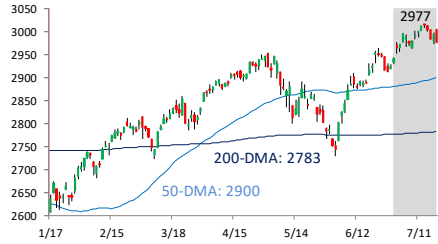
Commodity	Current	1 Wk Ago	OS	N	OB
\$/Euro	N	N	█		
\$/Yen	N	N			
2-Year	N	N			
10-Year	N	N			
Gold	OB	OB			█
Silver	OB	OB			█
Copper	N	N			
Crude Oil	N	N			
Heating Oil	N	N			
Gasoline	N	N			
Natural Gas	N	N			

S&P 500 Oversold Stocks Most Likely to Rise

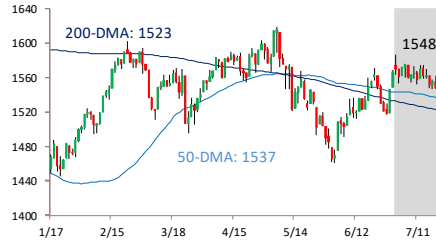
Ticker	Price	Standard Deviations Below 50-Day Avg	Avg % Return (One Week)	Percent of Time Positive
CNP	28.68	-1.06	0.49	61.2
CNC	52.19	-1.07	0.39	58.9
CCI	126.42	-1.04	0.55	58.7



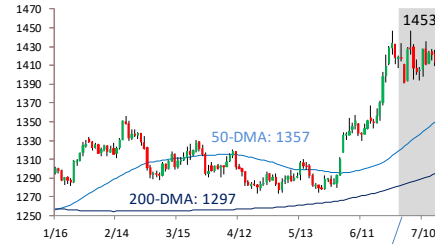
S&P 500: Last Six Months



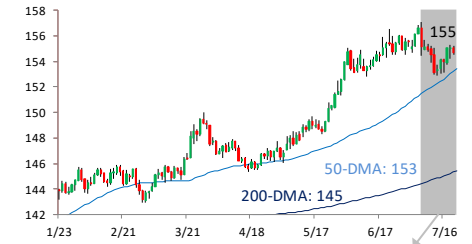
Russell 2000: Last Six Months



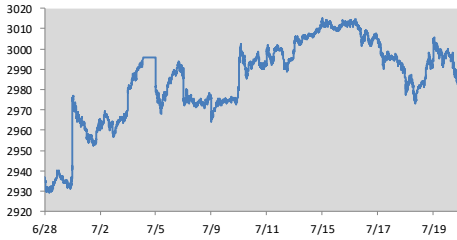
Gold Future: Last Six Months



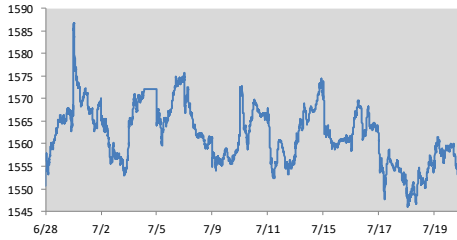
Long Bond Future: Last Six Months



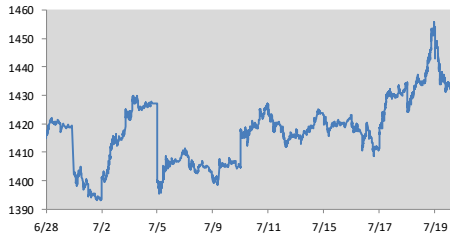
S&P 500: Last 15 Trading Days



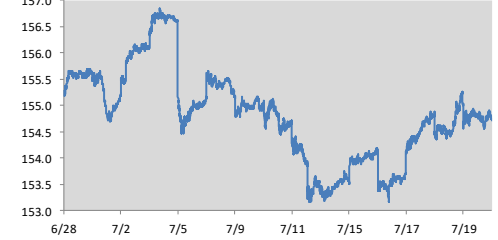
Russell 2000: Last 15 Trading Days



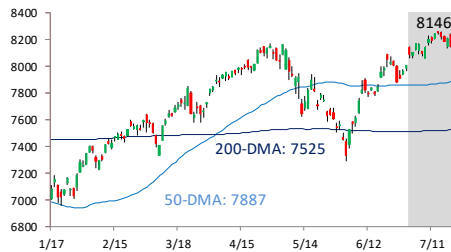
Gold Front Month Future: Last 15 Trading Days



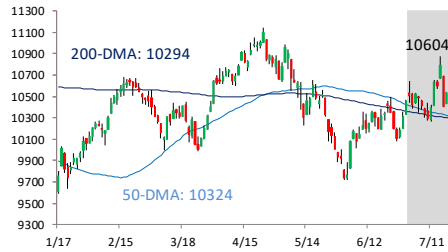
Long Bond Future Intraday: Last 15 Trading Days



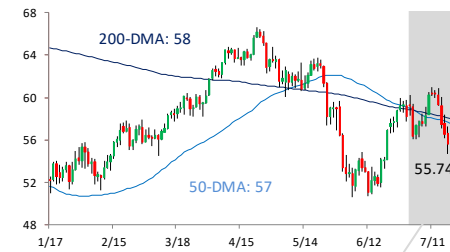
Nasdaq Composite: Last Six Months



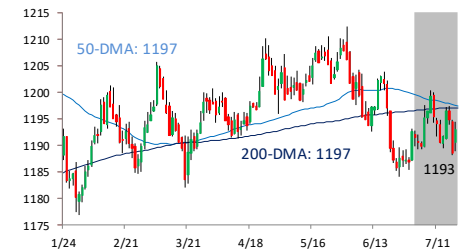
DJ Transports: Last Six Months



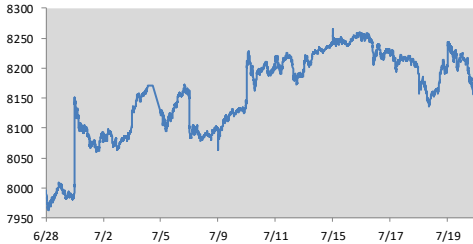
Oil Future: Last Six Months



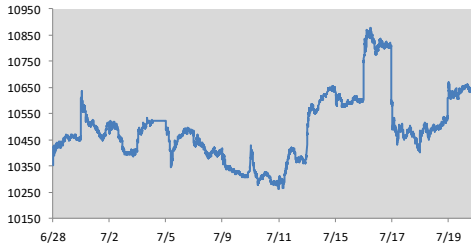
BBG US Dollar Index: Last Six Months



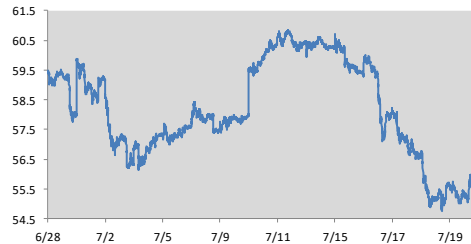
Nasdaq Composite: Last 15 Trading Days



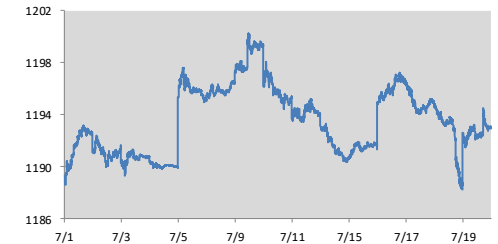
DJ Transports: Last 15 Trading Days



Oil Future: Last 15 Trading Days



BBG US Dollar Index: Last 15 Trading Days





Morning Commentary

Overview: Strong earnings in the US pre-market and very strong earnings reactions in Europe are driving equity markets higher, with S&P 500 futures tagging session highs just before 7:30 AM EST and US large-caps currently set to open up almost 40 bps. The dollar is back to its rising 200-DMA and falling 50-DMA, up 21 bps for a third day of gains and breaking out of its May-July downtrend, while crude and copper are both down moderately. Rates are up across the curve. [Economic scorecard](#)

US Earnings: There's a lot of excitement in European earnings this morning, so we've got a full page covering those details next, but US companies are also reporting this morning. AutoNation ([AN](#)) reported a smaller than expected comparable sales drop in Q2 last night, with core EPS beating estimates; the stock is still down, though, because new vehicle sales on a same-store basis missed. Biogen ([BIIB](#)) reported a triple play this morning, with revenues 4% ahead of estimates in Q2, EPS of \$9.15 versus \$7.53, and a revenue estimate of \$14-14.2bn this year versus \$13.6-13.8bn previously. Iconic American motorcycle company Harley-Davidson ([HOG](#)) beat Q2 EPS on an adjusted basis, with revenues a hair below estimates, but cut its full year view for shipment volumes. Margins also missed, and despite a more favorable tariff treatment being approved for the company, the stock is down 4% on top of the 6.3% it's fallen over the prior four sessions. Speaking of American icons, Coca-Cola ([KO](#)) reported comparable EPS 2 cents above estimates, raised its full year organic revenue growth outlook from 4% to 5%, and is up almost 2% pre-market. Lockheed-Martin ([LMT](#)) is also performing well, with a triple play after revenues of \$14.4bn versus \$14.2bn expected in Q2, EPS of \$5.00 versus \$4.78 forecast, and a boosted full year EPS number (\$20.85-\$21.15 versus \$20.05-\$20.35 previously forecast). Homebuilder PulteGroup ([PHM](#)) beat on EPS and revenues, also saw orders stronger than forecast with contracts to buy up 7% versus 1% expected. That's a sign of a strong housing market backdrop that you might expect given low mortgage rates, but isn't totally consistent with the hard data reported in recent months. Finally, paint purveyor Sherwin-Williams ([SHW](#)), a good indicator of the backdrop in housing and general construction activity, beat EPS for Q2 and reiterated its full year EPS outlook.

APAC Markets: Weak Japanese data overnight (discussed in detail on page 6) didn't stop the region from rallying. India, Thailand, and Indonesia dropped, but the rest of the region gained without any market up over 1%. The dollar was materially stronger, with CNH and CNY the only crosses lower versus the greenback on the day. The PBoC opened up funding markets last night, offering \$43bn of targeted medium-term loans at 3.15% and another \$29bn of general lending facilities loans at 3.3%. That offsets the ~\$73bn of medium-term funding with the PBoC set to roll off Tuesday. Other regional headlines include South Korea firing warning shots at a Russian plane that violated Korean airspace, reports that the BoJ is likely to reduce its forecast for inflation this year, and an investment in Daimler by Chinese auto company BAIC.

Europe Markets: Stocks are flying off an opening gap up this morning, as the entire market gets squeezed by earnings results from cyclical names. Again, we'll discuss the details more on the next page but for now Auto & Parts (+4.3%), Resources (+2.5%), and Banks (+1.9%) are the big drivers of a 1% Stoxx 600 rally. For what it's worth, credit markets are rallying with CDS outperforming, while rates are bear-steepening as EURUSD drops a third day running. The UK officially has a new Prime Minister, with Johnson winning the official vote, but UK data today was *horrible*; see page 6 for more.



Morning Commentary

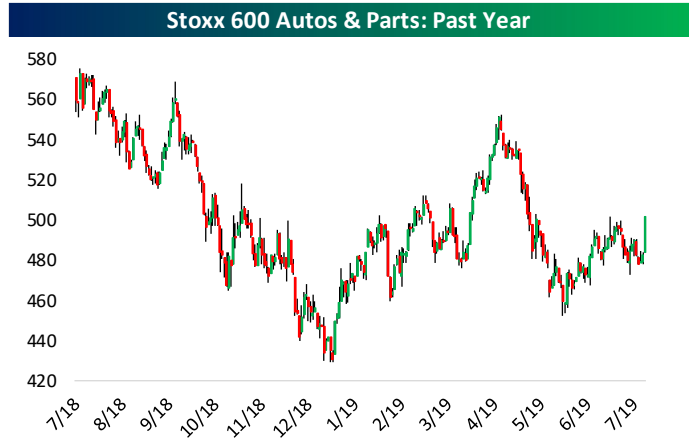
Europe Earnings: The biggest story in earnings today isn't necessarily the strength of auto parts earnings power, but how the market is reacting to it. French auto parts supplier Faurecia, which makes seats, interiors, exhaust systems, body parts, dashboards, center consoles, door panels, speakers, and other auto trimmings for Volkswagen, Ford, Peugeot, Renault, GM, Daimler, BMW, Nissan, and others reported operating income down 0.4% YoY in the first half of the year while missing revenue

(€8.97bn versus €9.03bn expected). Yet the stock is *flying*, up almost 10% on the session and trading at the highest levels since early May. A combination of extremely negative sentiment and confirmed full-year guidance are driving the squeeze, and the gains aren't limited to Faurecia, either. The Stoxx 600 Auto & Parts supersector is having its best day since January 4th, up almost 4%. Parts names like Pirelli (Italian tires), Hella (German electronic parts), Valeo (French engine and electrical components) and Continental (German tires and general parts) are all up at least 5%. Other tailwinds include an upgrade for Hella by MainFirst on Monday night, Daimler up 4% after China's BAIC took a 5% stake Monday, and an upgrade for BMW at Morgan Stanley.

Other European earnings notables: Finnish paper name UPM-Kymmene Oyj surging this morning after operating numbers met estimates and sales missed, gaining almost 10% in a massive squeeze for the entire group. Competitor Stora Enso reported very weak numbers last week but is up almost 8% in sympathy. Swedish consumer electronics company Logitech confirmed full-year guidance and beat sales, also reporting a new CFO. The stock is up better than 7% as-of this writing. Elsewhere in Scandinavian cyclicals, Norwegian aluminum name Norsk Hydro is up by the most since the middle of last year after reporting above-expectations revenues in Q2. Costs were higher than expected, and the company reduced its demand outlook, but a "strategic review" of its rolled products segment is underway, which could identify further cost synergies. UBS also saw net income 40% stronger than forecast and is up 2.5% despite a CEO warning on net interest income pressure ahead.

Finally, Swiss semiconductor giant AMS is up over 5% after guiding Q3 revenue drastically higher than forecast (\$600-\$640mm versus \$525mm estimated), as well as beating Q2 revenue estimates. The company is also re-evaluating its offer from Osram, a German LED company.

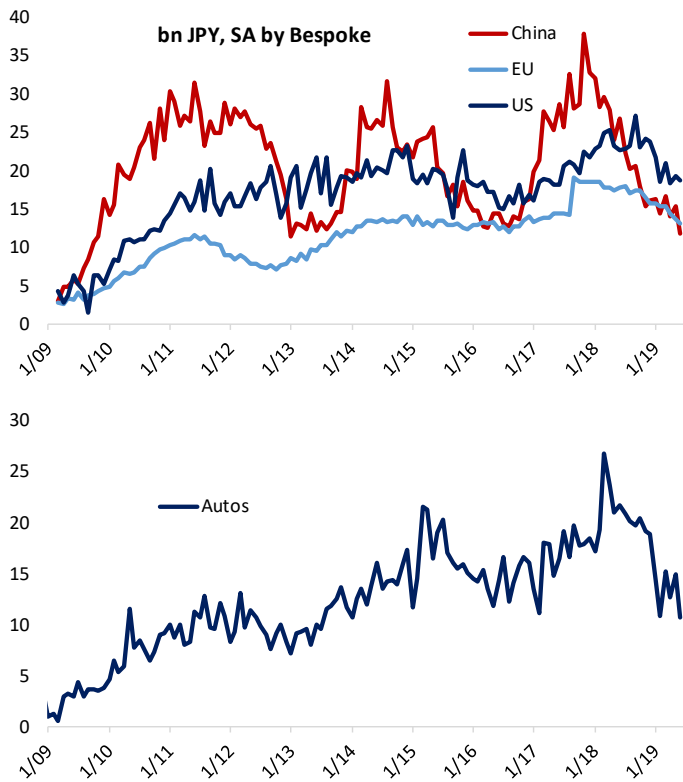
All of these earnings surges that are driving the Stoxx 600 to a 1% gain this morning are being led by cyclical names from beaten-down sectors of the market: autos, paper/products, metals, and semis. The squeeze suggests that these sorts of gains are relatively short-term and can't be sustained (as do the relatively modest beats, if any beat, for most of the names), but also indicates just how beaten-down the most cyclical areas of the European equity market are.





Morning Commentary

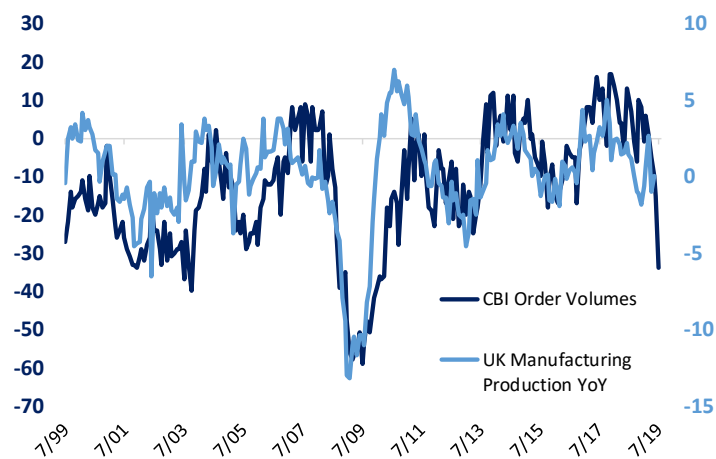
Japan MTOs: June Data Showed Further Declines



Machine Tool Orders: Japan’s Machine Tool Builders’ Association released revised order numbers for June overnight, providing more detail on composition. Headline order values (in yen) were little-changed, declining 37.9% YoY and almost 50% annualized on a 3m/3m basis; domestic orders were down 15.7% and are now near half the level reported in April of last year.

As shown in the charts at left, major trading partners were not looking any better. Chinese orders peaked at 37.9bn yen in November of 2017, and were at that point almost twice the 40.9bn yen ordered by EU and US customers. They’re now smaller than either the US or the EU, something that’s happened only a couple of times in the past decade. US orders have started to stabilize a bit, but as shown in the chart European orders are falling too.

Catastrophically Bad UK CBI Data In July



Finally, we note that auto-related machine tool orders hit their lowest level since July of 2013 in June, giving back all of the bounce seen in recent months. This data overall was just flat-out *brutal* as an indicator of cyclical global activity.

UK CBI: The UK’s Council of British Industry reported its July diffusion index for new order volumes this morning and the results were horrible. The index is the lowest since 2010, while its 1, 2, and 3 month rates of change are

all the lowest since 2008. CBI doesn’t always perfectly predict the trend in manufacturing volumes, but if it doesn’t immediately bounce back, the current 0.5% 3m/3m annualized growth of factory output through May is likely to collapse; the 4.1% drop in April data was partially clawed back in May but a Prime Minister bent on a foolish hard Brexit bluff will be impossible for UK factories to manage.



Morning Commentary

US Markets: In addition to the ongoing parade of earnings, today we get a nice slug of housing data: FHFA home prices and existing home sales are both due this morning, along with the 10:00 AM release of Richmond Fed manufacturing activity for the month of July. Also notable this afternoon: a two year note auction with \$40bn of fresh supply that could offer some insight into the path of short rates. [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)						
Equity Futs	S&P 500	2996.75	25.9	-29.9		Commodity	Gold	1423.50	-23.8	113.0	
	Russell	1552.90	29.7	-74.8			Silver	16.45	20.7	551.8	
	VIX Fut	15.10	-49.4	-130.7			WTI	55.98	-42.7	-282.9	
	TSX	988.00	38.6	39.6			Copper	271.20	-36.7	61.2	
Trsy Yields	2 Year	183.12	1.9	-1.9		Int'l Equity	Nikkei	21620.88	95.3	39.8	
	5 Year	181.14	0.8	-5.6			CSI 300	3789.91	21.8	-44.5	
	10 Year	204.98	0.3	-5.3			ASX 200	6724.63	49.9	125.9	
	30 Year	257.34	0.2	-3.9			Stoxx 600	391.48	96.5	61.2	
Curves/BE	2s10s	21.45	-1.8	-3.6		FX	BBG USD	1197.21	21.8	5.5	
	5s30s	76.03	-0.6	1.9			EURUSD	1.1174	-31.2	-33.0	
	5 Yr BE	160.02	0.3	158.4			USDJPY	108.13	24.1	-10.2	
	10 Yr BE	179.59	0.1	177.8			EM FX	62.95	-7.6	-6.2	
Eurodollars	Jun '19	97.86	-2.5	-7.0		Credit	CDX IG	52.30	-2.5	-1.8	
	Sep '19	97.96	-2.0	-3.5			iTraxx IG	47.47	-2.0	-2.0	
	Dec '19	98.19	-3.0	0.5			CDX HY	328.48	-3.0	-1.9	
	Mar '20	98.29	-3.0	2.0			iTraxx HY	243.57	-3.0	-1.3	