



## Early Look

Thursday, October 4, 18

Index	Up/Down	%	Last
DJ Industrials	-102.00	0.38%	26,770
S&P 500	-12.75	0.43%	2,918
Nasdaq	-46.00	0.60%	7,618

U.S. stock futures are lower, pulling back as borrowing costs extend yesterday's gains, with the yield on the benchmark 10-year yield topping 3.20% and the 30-yr is up around 3.37% after both handily topped 2018 highs yesterday. For the 10-year, yields are at the highest levels since 2011, taking the "wind out of the sails" for some interest rate sensitive sectors (homebuilders, REITs, utilities) while boosted shares of banks yesterday. Yields not the only factor in the futures sell-off, as a report from Bloomberg Businessweek that China used a tiny chip in a hack that reached U.S. companies including Amazon and Apple, are also causing some downward pressures. Emerging-market stocks faced on Thursday their steepest sell-off since March, as a surge in the dollar has exacerbated the downturn in EM assets.

U.S. stock benchmarks all closed higher on Wednesday, led by the 15th-record closing high of 2018 for the Dow Jones Industrial Average (its fifth straight gain), while the Small Cap Russell 2000 played catch-up, rising around 1% after falling more than -2.2% the last two sessions. However, much like the last few trading sessions, stocks slipped in afternoon trade, finishing off their best levels of the session. Stocks dropped as Treasury yields spike, with the roll-over in the bond market grabbing headlines. The 10-year Treasury yield ended around 3.16%, up roughly 10 bps, representing its highest level since 2011, while the 30-year yield touched highs of 3.34% before pulling back. The bond decline and stock rally was helped by strong economic data as private-sector employment soared in September, and the Institute for Supply Management's reading on the nonmanufacturing sector came in at 61.6 (a 21-year high).

In Asian markets, The Nikkei Index dropped -135 points to settle at 23,975, the Shanghai Index remained closed for its week-long holiday and the Hang Seng Index dropped -467 points to close at 26,623. In Europe, the German DAX is down about -30 points at 12,250, while the FTSE 100 is down around -80 points (over 1%) at 7,425.

### Market Closing Prices Yesterday

- The S&P 500 Index gained 2.08 points, or 0.07%, to 2,925.51
- The Dow Jones Industrial Average rose 54.45 points, or 0.20%, to 26,828.39
- The Nasdaq Composite climbed 25.54 points, or 0.32%, to 8,025.09
- The Russell 2000 Index advanced 15.25 points, or 0.92% to 1,671.29

## Events Calendar for Today

- 7:30 AM EST Challenger Job Cuts YoY for Sept
- 8:30 AM EST Weekly Jobless Claims...est. 215K
- 8:30 AM EST Continuing Claims...est. 1.665M
- 9:15 AM EST Fed's Quarles speaks at Community Banking conference
- 9:45 AM EST Bloomberg Consumer Comfort Index
- 10:00 AM EST Factory Orders for Aug...est. 2.1%
- 10:00 AM EST Durable Goods Aug-F...est. 4.5%
- 10:30 AM EST Weekly EIA Natural Gas Inventory Data

## Earnings Calendar:

- Earnings Before the Open: ISCA, STZ
- Earnings After the Close: COST, SGH

Macro	Up/Down	Last
WTI Crude	-0.15	76.26
Brent	-0.24	86.05
Gold	-0.40	1,202.50
EUR/USD	0.0018	1.1496
JPY/USD	-0.21	114.32
10-Year Note	+0.027	3.208%

## Sector News Breakdown

### Consumer

- **Barnes & Noble (BKS)** announced that its board of directors has decided to enter into a formal review process to evaluate strategic alternatives for the company. This decision follows expressions of interest from multiple parties in making an offer to acquire the company, including from the company's chairman, Leonard Riggio <https://reut.rs/2IB4hWs>
- **Toyota (TM)** has partnered with **SoftBank** to create a range of services using self-driving vehicles, from food and goods delivery to medical check-ups and mobile offices
- **Pier 1 (PIR)** Q2 EPS loss (63c)/\$355.3M vs. est. loss (59c)/\$361.2M; 2Q comparable sales -11.4%, in line with estimate; 2Q gross margin +26.3% and inventory -15.4%
- **Resources Connection (RECN)** Q1 EPS 18c/\$178.6M vs. est. 11c/\$173.5M; Q1 adjusted Ebitda \$13.2M
- **Juul Labs**, the e-cigarette maker focused on vaping, has filed patent infringement complaints in the United States and Europe against what it said were copycat rivals

### Energy, Materials and Industrials

- **Cummins (CMI)** upgraded to Overweight from Neutral at Piper Jaffray and raise tgt to \$188
- **SunPower (SPWR)** upgraded to Neutral from Underperform at Bank America
- **Willdan Group (WLDN)** and Lime Energy announced that Willdan has signed an agreement and plan of merger to acquire all outstanding shares of Lime Energy for a total purchase price of \$120M in cash

## Financials

- **American Express (AXP)** is overhauling its popular Gold Card, seemingly in a bid to win over more millennial consumers; the card's annual fee will increase to \$250 from \$195. Moving forward card holders will no longer earn rewards on purchases made at gas stations in the U.S. The Gold Card's rewards program will now focus exclusively on food and travel
- **Monmouth Real Estate (MNR)** files to sell 8M shares of common stock
- **Select Income REIT (SIR)** 24.918M share Spot Secondary priced at \$18.25

## Healthcare

- **Tilray (TLRY)** announces \$400M offering of convertible senior notes due 2023; said sees Q3 revs \$10M-\$10.5M vs. est. \$9.94M; Cash and cash equivalents \$117.5M-\$118M as of Sept. 30
- **AtriCure (ATRC)** preliminary 3Q revenue up 18% YoY to \$49.9M above the \$46.8M est.; prelim 3Q loss from operations \$6M-\$7.5M; files to sell 2.5M shares of common stock
- **Guardant Health (GH)** 12.5M share IPO priced at \$19.00
- **Kodiak Sciences (KOD)** 9M share IPO priced at \$10.00, below the range

## Technology, Media & Telecom

- **Cloudera (CLDR)** and **Hortonworks (HDP)** jointly announced today that they have entered into a definitive agreement under which the companies will combine in an all-stock merger of equals; Hortonworks stockholders will receive 1.305 common shares of Cloudera for each share of Hortonworks stock owned; companies have a combined fully-diluted equity value of \$5.2 billion based on closing prices on October 2, 2018 <https://on.wsj.com/2NmZx7C>
- **Comcast Corp. (CMCSA)** said it has agreed to buy **21st Century Fox Inc.'s (FOX)** stake in **Sky PLC (SKY.LN)** for 11.63 billion pounds (\$15.10 billion), after defeating Fox in a bidding war for the British pay-TV group. Comcast said it will hold or have received acceptances in respect of more than 75% of Sky after the transaction is completed <https://on.mktw.net/2OHjUS1>
- **SYNNEX (SNX)** Q3 EPS \$2.57/\$4.91B vs. est. \$2.46/\$4.88B; sees Q4 EPS \$2.90-\$3.10 on revenue \$5.2B-\$5.4B vs. est. \$3.07/\$5.36B
- **Rudolph Technologies (RTEC)** revises Q3 adjusted EPS guidance to 22c-25c and revs to \$59M-\$61M – both below current estimates 35c/\$65.1M
- **Nintendo Co. (NTDOY)** plans to release a new version of its Switch videogame console next year to maintain the sales momentum of the device, according to suppliers and others with direct knowledge of the plan.

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