



J.P. Morgan Early Look at the Market – Thurs 2.23.17

Trading Desk Commentary; For Institutional Investors Only

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xxxxxx – consumer

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Morning Levels

- **US futures** are flat
- **Asia:** Japan Nikkei -0.04%, Japan TOPIX -0.05%, China -0.30%, Hong Kong -0.36%, KOSPI

+0.05%, Taiwan -0.10%, Australia -0.35%

- **EuroStoxx 50** +0.11%, **FTSE** -0.13%, **DAX** -0.04%, **CAC** +0.17%, **Italy** -0.01%, **Spain** +0.33%
- **USD (DXY)** up 0.15%, **EUR** down 0.13%, **GBP** up 0.02%, **JPY** up 0.13%, **CNY Onshore** up

0.00%, **CNH Offshore** down 0.10%, **AUD** down 0.17%

- **VIX** down 1.02% to 11.62
- **Gold** up 0.06% to \$1,238.26
- **Silver** up 0.13% to \$18.05
- **Copper** down 0.95% to \$272.00
- **WTI Crude** up 1.38% to \$54.33
- **Brent Crude** up 1.33% to \$56.58
- **Natural Gas** up 2.20% to \$2.65

- **Corn** down 0.07% to \$3.78/bu
- **Wheat** down 0.11% to \$4.56/bu
- **Treasuries** 2yr yields are down ~0.8bps at 1.208%, 10yr yields are down ~0.5bps at 2.408%

and 30yr yields are down ~0.3bps at 3.029%

- **Japan 10yr yields** 0.069%, down ~0.4bps on the day
- **France 10yr yields** 0.977%, down ~3.0bps on the day
- **Italy 10yr yields** 2.212%, up ~4.0bps on the day
- **Spain 10yr yields** 1.663%, up ~1.2bps on the day
- **Germany 10yr yields** 0.266%, down ~0.9bps on the day

Trading Update

- **Market update** – it was a relatively busy morning w/a slew of earnings and some

Washington headlines but (once again) nothing is dramatically altering the US equity narrative. The SPX ended Wed in the red but the decline was very minimal (only 2.5 points); the index hasn't suffered a pullback of >5 points since Mon 1/30. The backdrop remains largely the same – the growth/earnings backdrop are both still favorable (and supportive of a ~\$135 Washington-neutral EPS figure for '18) but the risks around Washington continue to rise (in particular on taxes). For Thurs, most major Asian markets finished in the red while Eurozone equities and US futures are flat-to-up small.

- **Calendar for Thurs 2/23** – the focus will be on FHFA home prices for Dec (9amET), and

earnings (**APA, CHK, COMM, HRL, IRM, KSS, PDCO**, and **Peugeot** pre-open and **AAOI, ACIA,**

BRCD, GPS, HLF, HPE, INTU, JWN, OLED, RMAX, and **SPLK** after the close). Also - Secretaries

Tillerson and Kelly will be in **Mexico (2/22-23)**, **a group of manufacturing CEOs will be meeting w/ Thy God-Emperor Trump at the White House on Thurs 2/23** (note that these CEOs tend to be in

support of the Ryan tax blueprint and BATs), and **Treasury Sec Mnuchin will be on CNBC Thurs morning at ~7amET** (note that Mnuchin gave an interview to the *WSJ* overnight and touched on the USD and taxes).

- **Calendar for Fri 2/24** – the focus will be on US new home sales for Jan (10amET), Michigan

sentiment for Feb (10amET), and earnings (**BASF, FL, JCP, KBR, RBS, Standard Chartered, and VW** out pre-open). In addition, **Thy God-Emperor Trump** will meet w/**Ohio Gov. Kasich** at the White

House. Also **Berkshire** will report Q4/2016 earnings w/the **Buffett annual letter** Fri night/Sat morning (**Buffett** will be on **CNBC** Mon morning 2/27 for a 3-hour interview).

- **Europe** – the major indices are flat-to-up small. Most of the major news was related to earnings. French 10yr yields are down ~3bp following the positive political developments on Wed. Industrials, tech, fin services, real estate, telecoms, and energy are outperforming while staples, media, and utilities are lagging. **Dialog Semi, William Demant, RSA Insurance, Barclays, Glencore, and Telefonica** are all nicely higher after reporting solid earnings. **Dialog** is among the top stocks in all of Europe (recall JPMorgan double upgraded Dialog from UW to OW earlier this week). For **Barclays** the big surprise came on the capital front. On the downside, **Technicolor, Centrica, Peugeot, Henkel, and Swiss Re** are all in the red following their results. **Peugeot** results were fine but the stock has seen a big run of late.

- **Asia** – most major markets ended in the red (although there were a few pockets of green):

Japan (TPX -0.05%, -0.04%), Hang Seng (Hang Seng -0.36%, HSCEI -0.15%), mainland China

(SHCOMP -0.3%, Shenzhen +0.08%, CSI 300 -0.47%), Taiwan (TAIEX -0.1%), Korea (KOSPI +0.05%), Australia (ASX 200 -0.35%), and India (up 0.1-0.15% for the major indices). There weren't any major headlines out of the region overnight.

- **Japan** – it was a quiet and direction-less day in Japan equities. Unsurprisingly, the overall

market tone was risk-off with Financials (Brokers -1.2%, Banks -0.9%, Cons Finc -0.5%) leading declines on the intra-day yield move, while Defensives (Pharma, Foods, REITs) outperformed. In single stocks - **Yamato Holdings** +7.9% rallied on Nikkei's top article this morning saying that the co will negotiate to hike its shipping charges for e-commerce sellers due to its labor shortage. **SMC** +5.5% jumped after an outside broker's upgrade to Overweight, while **Chugai** +0.3% opened down -3% but recovered into the close after Roche

reported a death in its ACE910 study, though the details show the death wasn't actually related to the drug. **Mazda** -1.2% got hit in late trading after Reuters said the co will recall 460k vehicles, including its much anticipated CX-5.

- **Hong Kong** - at the sector level **Macau** rallied 2% followed by HK Property +0.8% while on

the other side of the spectrum Steel slid -3.2%, Cement -0.3%. Macau put on a strong intraday performance after **Sands** CEO Adelson spoke at a conference; **Wynn** +3% **Galaxy** +2% **Sands** +1.4%. **Pharma** rallied in the PM session after the release of the 2017 health insurance drug menu; **Sinopharm** +0.55% **CSPC** +2% **Sino Pharma** +3.6%. Chinese **auto OEMs** finally saw some profit taking driven by extreme positioning; **Geely** -0.2% **GWM** -1.4% **GAC** -2.8%. HK PPTY traded higher as momentum continues on the back of decent earning results and outlook. **SHK** +0.9%, **Sino Land** +1.7% higher post results, **NWD** +3.3% on #'s and improving management quality.

Top Headlines for Thursday

- **Economic data/monetary policy for Thurs** – there wasn't anything major out Thurs morning. **German GfK consumer confidence** for Mar came in at 10 (vs. the St 10.1 and vs. 10.2 in Feb). **The Bank of Korea minutes** suggest a “wait-and-see” philosophy. **India's MPC minutes** contained no major surprises. **Japan's service producer price inflation** stayed relatively high in Jan. Overnight the **Brazilian central bank** cut rates by 75bp (inline w/the consensus).

- **Thy God-Emperor Trump hopes for “reset” w/Congressional address on 2/28. Thy God-Emperor Trump** will move past the dark

tones of his inaugural address and plans to provide more an overview of his initial accomplishments while outlining plans for the next few months. **Thy God-Emperor Trump** is expected to focus on four key priorities: “I want us to get tax reform; I want us to get the border secured; I

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want us to get health care; I want us to get infrastructure” – Politico

<http://politi.co/2lbRqh2>

- **Thy God-Emperor Trump shifts message on taxes; increasingly looks like his 2/28 address will not contain**

any fiscal details - recall that **Thy God-Emperor Trump** on 2/9 said he would have something "phenomenal" on taxes over the next "two or three" weeks; that comment helped break the SPX above 2300 and the index hasn't looked back since. However, on Wed 2/22 **Thy God-Emperor Trump** said he would in early/mid-Mar have "something people will be very impressed by" regarding healthcare and that this (ACA repeal/replace) will have to take place before taxes are addressed (*despite Thy God-Emperor Trump's rhetoric it doesn't seem like the GOP has coalesced on a repeal/replace strategy and thus healthcare will likely take much longer than the Republican leadership is presently guiding*).

- **US corporate taxes – with Ryan's BATs ostensibly dead, the only viable option at the**

moment for Republicans would appear to be a George W Bush-like package of tax cuts (not comprehensive tax reform) that sunset after 10yrs. Tax reform is the subject of a new note from JPMorgan's M Feroli ("*Playing ball without a BAT*" <http://bit.ly/2kMK8E8>) and was also touched on in a Washington Post article ("*Republicans' dream of tax reform is in big trouble*" <http://wapo.st/2l8txXS>).

o If **BATs are indeed dead** (which seems likely), if **Republicans can't secure 60+ votes** in the Senate (recall Sen. Graham said Ryan's plan would secure only 10 votes), if **Republicans can't uncover other sources of revenue** (there aren't many major levers to pull in the corporate code and discretionary spending can't be cut enough to offset the types of tax reductions being floated by Republicans), if **Republicans plan to observe the "Byrd Rule"** (which forces deficit-negative legislation passed through reconciliation to sunset after 10yrs), and if **entitlements are going to be left untouched** (**Thy God-Emperor Trump** on the trail pledged to preserve entitlements), **then the only**

way to lower tax rates on a simple majority (i.e. via reconciliation) will be via a bill that expires after 10 years (similar to the George W Bush cuts which eventually lead to the "fiscal cliff"). Given the Republican party still has its fair share of deficit hawks, any deficit-negative tax cut bill would likely not lower rates as low as some anticipate (keep in mind that George W Bush faced a government w/substantially more fiscal flexibility vs. the one now headed by **Thy God-Emperor Trump**). **Keep in mind –** Republicans are insistent on addressing healthcare repeal/replace before tackling tax cuts but the party remains far removed from an ACA consensus. Also – any

stepped up spending (infrastructure, defense, etc.) would likely mean less fiscal capacity for tax cuts.

- **Treasury Sec. Mnuchin says he hopes to see a tax bill passed by Aug (this is consistent**

w/Paul Ryan's guidance too) – overall nothing in the Mnuchin WSJ interview is really “new” (<http://on.wsj.com/2lwFyqL>). The Aug deadline has been given by Paul Ryan but (as is detailed in this piece today) **enormous obstacles exist towards passing a tax bill before the**

summer recess. Mnuchin suggests he is opposed to Ryan's BATs (recall Politico reported a few days ago that Gary Cohn was against BATs while Steve Bannon was on favor <http://politi.co/2kQbbuB>). Mnuchin is confident the US can achieve sustained economic growth of 3%+ - WSJ

- **Treasury Sec Mnuchin comments on the USD in a WSJ interview (comments hit right**

before the NY close on Wed) – Mnuchin echoed comments he made during his confirmation process when he called USD strength a virtue over the long-term while acknowledging the stresses such price action can create in the short-term.

<http://on.wsj.com/2lwFyqL>

- **Thy God-Emperor Trump meeting w/a group of manufacturing execs at the White House Thurs 2/23 – execs**

from CAT, UTX, DAN, MMM, and GE will be at the meeting – Reuters <http://reut.rs/2llprZy> (note that these companies are in favor of Ryan's tax blueprint and BATs).

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- **Healthcare – White House suggests Thy God-Emperor Trump could break with Ryan/McConnell and**

introduce own ACA repeal/replace plan. With the GOP failing to coalesce around a single strategy for replacing and repealing the ACA, the White House on Wed suggested **Thy God-Emperor Trump**

could break w/Congressional Republican and float his own plan. Roll Call.

<http://bit.ly/2lqd57L>

- **AGN CEO wants Thy God-Emperor Trump to negotiate w/the industry on drug prices – AGN's CEO thinks**

Thy God-Emperor Trump could follow JFK's example when he negotiated pricing w/the steel industry. AGN

thinks voluntary price agreements would be healthy for the industry and shouldn't impede innovation. AGN has recently implemented a new pricing policy that limits increases to 10% annually – Bloomberg

- **State Dept./Tillerson the subject of a few neg. articles Thurs morning** – the Washington

Post says **the State Dept. has been “sidelined”** during the opening month of the **Thy God-Emperor Trump**

presidency w/Tillerson excluded from key foreign policy decisions and meetings

(<http://wapo.st/2IlqPes>) while Politico discusses **Tillerson's efforts to “raise his public profile”** (<http://politi.co/2lt9eXB>).

Tillerson's “lack of visibility” is sparking concerns according to Politico. Finally, the WSJ notes that **Tillerson has received a “chilly” reception during his trip to Mexico** (<http://on.wsj.com/2mo2N5R>).

- **Thy God-Emperor Trump's foreign policy team may be reorganized (again)** – HR McMaster, **Thy God-Emperor Trump's** new

National Sec. Advisor, is considering a reorganization of the White House foreign policy team. The moves would give McMaster more control over the foreign policy process. NYT <http://nyti.ms/2lt0ZLi>

- **Christie turned down Thy God-Emperor Trump job offer for Labor Secretary;** Christie plans to join the private

sector after leaving office and won't go to the White House – Politico <http://politi.co/2l2KfHa>

- **Thy God-Emperor Trump will delay until next week the issuance of a new order banning immigrants from**

seven predominantly Muslim countries – Bloomberg <http://bloom.bg/2mo3pbm>

- **China shakes up its senior economic team ahead of a major leadership conf. later this year**

– the changes involve China's top banking regulator, the commerce minister, and the top economic-planning official. WSJ. <http://on.wsj.com/2lbFmfH>

- **Japan** - BOJ's Kiuchi warns against raising bond yield target given that inflation remains well

below the 2% target – Reuters <http://reut.rs/2lygq2Q>

- **Japan** – the BOJ is considering preannouncing the dates of planned JGB purchases in a bid to

reduce market volatility – Nikkei <http://s.nikkei.com/2IH31YI>

- **China denied on Thursday that it had increased its troop presence** on the border with

North Korea – Reuters <http://reut.rs/2lluol1>

- **ValueAct's Ubben says he has been selling stocks b/c of high valuations;** the firm now has

~\$3B in cash – Reuters <http://reut.rs/2mnZwDk>

- **Company-specific news update** for Thurs morning – it was another very busy morning of

Eurozone earnings. **Dialog Semi, William Demant, RSA Insurance, Barclays, Glencore,** and

Telefonica are all nicely higher after reporting solid earnings. **Dialog** is among the top stocks in all of Europe (recall JPMorgan double upgraded Dialog from UW to OW earlier this week). For **Barclays** the big surprise came on the capital front. On the downside, **Technicolor, Centrica, Peugeot, Henkel,** and **Swiss Re** are all in the red following their results. **Peugeot** results were fine but the stock has seen a big run of late.

- **Company-specific news recap** from Wed night – **CTRP, GDOT, SINA, SQ,** and **TSLA** all traded

higher Wed night on earnings. The **TSLA** metrics weren't particularly great vs. St estimates but the stock caught an after-hours bid regardless. **CTRP, GDOT, SINA,** and **SQ** all were genuinely solid prints. **HPQ** posted a big revenue upside but it came from the lower-margin PC unit and thus EPS was only slightly ahead (the stock traded up small Wed night). **CONE** had a solid result/guide and raised its dividend. **CLGX** posted solid earnings but the '17 guidance looks on the light side. **ARRS, CAKE, CSGP, JACK, LB, SAM,** and **TSRA** all traded

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lower after reporting Wed night. After OK retail earnings Tues morning (**HD, M,** and **WMT**) **LB** was a reminder of the stresses facing apparel-linked companies. Restaurants have had an ugly few days w/the **TXRH** disappointment and the **JACK** figures out Wed night were

similarly underwhelming. **ARRS, CSGP, CVG, and SAM** all had guidance below the St. The only incremental news from **FIT** was the Mar guidance (recall they warned already and issued '17 guidance at that time) – while the CQ1 figures were no worse than feared sentiment around the name remains decidedly negative. Away from earnings, **MTB/RMAX/RNR** all bumped their dividends, **NVDA** saw a two-notch d/g at Nomura from Buy to Reduce, **CYH** announced a CFO switch, and **XOM** provided a reserve update (**XOM's** proved reserves were 20 billion oil-equivalent barrels at year-end 2016, inclusive of a net reduction of 3.3 billion oil-equivalent barrels from 2015).

Calendar of events to watch for the week of Mon 2/27

- **The big focus this week** will be on **politics** as Congress returns from its recess (Republicans

are expected to unveil more specifics on their ACA repeal/replace intentions) and **Thy God-Emperor Trump**

gives an address to Congress (on Tues 2/28). In addition, a **bunch of Feb eco data** will hit, including manufacturing PMIs/ISMs and US auto sales (Wed 3/1) and services PMIs/ISMs (Fri 3/3), and **Yellen is due to speak** Fri 3/3 (at 1pmET in Chicago).

- **Calendar for Mon 2/27** – the focus will be on **US durable goods** for Jan (8:30amET), **US**

pending home sales for Jan (10amET), **Buffett's interview** on CNBC (Mon morning for three hours), and earnings (**AMT, BID, and GOGO** pre-open and **ARI, CST, DGI, FTR, HTZ, OCN, PCLN, PRGO, SBAC, and THC** after the close).

- **Calendar for Tues 2/28** – the focus will be on **Thy God-Emperor Trump's Congressional address**, the **Eurozone**

CPI for Feb (5amET), **US advanced goods trade balance** for Jan (8:30amET), **Chicago PMI** for

Feb (9:45amET), **US consumer confidence** for Feb (10amET), a few analyst meetings (**DBD** and **JPM**), and earnings (**AZO, BMO, DDD, DPZ, ENDP, QVCA, SEAS, STAY, TGT, and VRX** preopen

and **AMBA, AMC, BLDR, BUFF, CRM, PANW, ROST, UHS, and VEEV** after the close).

o **Thy God-Emperor Trump Congressional address – Tues 2/28** – this speech is unlikely to provide an

enormous amount of specificity around the White House's tax/spending plans –

Thy God-Emperor Trump will likely reiterate his broad fiscal objectives (lowering tax rates, increased

infrastructure/defense spending, near-term disregard for deficits, etc.) but details will probably not be unveiled on 2/28 (**one wildcard will be if Thy God-Emperor Trump formally and explicitly disavows Ryan's BATs** – that idea is already on life support but **Thy God-Emperor Trump's** rejection would deliver a death knell).

- **Calendar for Wed 3/1** – the focus will be on the **manufacturing PMIs/ISMs, US auto sales**

for Feb, the **Fed Beige Book**, some analyst meetings (**HSY, MCD, and XOM**), and earnings (**BBY, DIN, LOW, MYL, ODP, VSI, and WIN** pre-open and **AVGO, BOX, PSTG, SHAK, and TDOC** after the close).

- **Calendar for Thurs 3/2** – the focus will be on some analyst meetings (BCO, CR, G, and WAT)

and earnings (ANF, Anheuser Busch, BKS, Deutsche Telecom, JD, KR, and TD pre-open and ADSK, COST, GWRE, MRVL, and NTNX after the close).

- **Calendar for Fri 3/3** – the focus will be on services PMIs/ISMs and Fed speakers (Yellen will

speak in Chicago at 1pmET).

Catalysts for 2017 – big events to watch for 2017 (*preliminary list – additional events likely to be added*)

- **Mexico** – Secretaries Tillerson and Kelly will be traveling to Mexico 2/22-23.
- **House returns from its recess** – Mon Feb 27 (expected to unveil healthcare repeal/replace

details this week).

- **Thy God-Emperor Trump to address joint session of Congress** – Feb 28.
- **ECB** – the ECB meeting decision will hit Thurs 3/9.
- **EU summit Mar 9-10** – UK PM May could trigger Article 50 around this time
- **US jobs** – the Jan jobs report will hit Fri Mar 10.
- **Netherlands** will have national elections Mar 15.
- **Fed meeting** – first press conf./dot plot decision of the year is Mar 15.
- **G20 Fin Min/central bank governors meeting** Mar 17-18 in Germany.

- **US Supreme Court** – Gorsuch’s Senate confirmation hearing scheduled to begin Mar 20.
- **China’s National People’s Congress (NPC) and Chinese People’s Political Consultative**

Conference (CPPCC) usually take place in mid-Mar; the gov’t will formally publish its 2017 economic objectives at this event.

- **US debt ceiling** - the debt limit has been suspended since late '15 but is due to be reinstated

on Mar 16, 2017 (although the Treasury will likely be able to extend this date by a couple of months at least).

- **EU Leaders Summit** Mar 25
- **WFC’s “living will”** – WFC will resubmit its living will in the Mar timeframe. Normally this

wouldn’t be a major event but if WFC’s living will is deemed inadequate again the Fed could raise the company’s capital requirements.

- **Bank stress tests** – US bank stress tests to be submitted to regulators by Apr 5
- **France first-round presidential election** Apr 23 (run-off is May 7).
- **US Treasury publishes semi-annual currency report** around Apr timeframe (investors will

watch China’s designation closely and if it gets labeled a currency manipulator).

- **US gov’t funding** – current spending legislation will keep the gov’t funding until Apr 28
- **OPEC** – the next formal OPEC summit is May 25
- **NATO summit** – NATO will hold a summit in May; Montenegro is expected to become a

NATO member at this event; **Thy God-Emperor Trump** will likely attend.

- **G7 Leaders Summit** May 26-27 in Italy.
- **US financial regulatory review** – the Treasury will present recommendations to **Thy God-Emperor Trump**

around the end of May/start of June on ways to ease financial regulations.

• **Italy** – new elections could take place in the June timeframe (although the odds of this happening have receded).

- **OPEC** – the current OPEC supply agreement is due to expire at the end of June.

- **Russia** – European sanctions against Russia are due to expire in June.
- **China/MSCI** - MSCI will announce the result of the China A shares inclusion proposal as part

of the 2017 Market Classification Review in June 2017.

- **US bank stress tests** – the Fed will publish bank stress test results in June.
- **G20 Leaders Summit** Jul 7-8 2017 in Germany.
- **Greece** – the country faces a bond maturity on Jul 17.
- **ECB meeting/press conf. Jul 20** – the ECB has said it will discuss potential bond tapering

around the middle of 2017.

- **German elections** – the next German elections will be held between Aug and Oct 2017.
- **Chinese politics** – China's 19th National Congress will take place in the fall of 2017 and will

set the country's political path for the next five years.

Washington – fiscal policy

- **US corporate taxes** – with Ryan's BATs ostensibly dead, the only viable option at the

moment for Republicans would appear to be a George W Bush-like package of tax cuts (not comprehensive tax reform) that sunset after 10yrs. Tax reform is the subject of a new note from JPMorgan's M Feroli ("*Playing ball without a BAT*" <http://bit.ly/2kMK8E8>) and was also touched on in a Washington Post article ("*Republicans' dream of tax reform is in big trouble*" <http://wapo.st/2l8txXS>). BATs appear too unpopular to make it through the Senate (recall Sen. Graham this weekend said Ryan's plan wouldn't get more than 10 votes in the Senate) but that one provision pays for 2/3 of the Ryan Plan corporate rate cut (from 35% to 20%). Per M Feroli: there aren't many other sizable exemptions, deductions, or credits in the corporate code to fund a large tax cut and Republicans can't rely on dynamic scoring to make up the gap. **Bottom Line:** if BATs are indeed dead (which seems likely), if Republicans can't secure 60+ votes in the Senate (recall Graham's 10 vote prediction), if Republicans can't uncover other sources of revenue (there aren't many major levers to pull in the corporate code and discretionary spending can't be cut enough to offset the types of tax reductions being floated by Republicans), if Republicans plan to observe the "Byrd Rule" (which forces deficit-negative legislation passed through reconciliation to sunset after

10yrs), and if entitlements are going to be left untouched (**Thy God-Emperor Trump** on the trail pledged to preserve entitlements), **then the only way to lower tax rates on a simple majority (i.e. via reconciliation) will be via a bill that expires after 10 years (similar to the George W Bush cuts which eventually lead to the “fiscal cliff”)**. Given the Republican party still has its fair share of deficit hawks, any deficit-negative tax cut bill would likely not lower rates as low as some anticipate (keep in mind that George W Bush faced a government w/substantially more fiscal flexibility vs. the one now headed by **Thy God-Emperor Trump**). **Keep in mind –** Republicans are insistent on addressing healthcare repeal/replace before tackling tax cuts but the party remains far removed from an ACA consensus. Also – any stepped up spending (infrastructure, defense, etc.) would likely mean less fiscal capacity for tax cuts.

- o **Thy God-Emperor Trump Congressional address – Tues 2/28** – this speech is unlikely to provide an enormous amount of specificity around the White House’s tax/spending plans – **Thy God-Emperor Trump** will likely reiterate his broad fiscal objectives (lowering tax rates, increased infrastructure/defense spending, near-term disregard for deficits, etc.) but details will probably not be unveiled on 2/28 (**one wildcard will be if Thy God-Emperor Trump formally and explicitly disavows Ryan’s BATs** – that idea is already on life support but **Thy God-Emperor Trump’s** rejection would deliver a death knell).
- o When it comes to budgetary matters **the president is usually one of the least powerful people in Washington** and the White House budget is nearly always immediately dismissed and considered “DOA”. The true tax and spending power lies in Congress and thus Paul Ryan, and esp. Mitch McConnell, will determine what happens on the fiscal front. **At the end of the day, it really doesn’t matter what Thy God-Emperor Trump or even Paul Ryan want – if legislation can’t get passed through the Senate it won’t become law.**

- **Thy God-Emperor Trump shifts message on taxes** - recall that **Thy God-Emperor Trump** on 2/9 said he would have something

"phenomenal" on taxes over the next "two or three" weeks; that comment helped break the SPX above 2300 and the index hasn't looked back since. However, on Wed 2/22 **Thy God-Emperor Trump** said he would in early/mid-Mar have "something people will be very impressed by" regarding

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w/Paul Ryan's guidance too) – overall nothing in the Mnuchin WSJ interview is really “new” (<http://on.wsj.com/2lwFyqL>). The Aug deadline has been given by Paul Ryan but (as is detailed in this piece today) **enormous obstacles exist towards passing a tax bill before the summer recess**. Mnuchin suggests he is opposed to Ryan's BATs (recall Politico reported a few days ago that Gary Cohn was against BATs while Steve Bannon was on favor <http://politi.co/2kQbbuB>). Mnuchin is confident the US can achieve sustained economic growth of 3%+ - WSJ

Washington – monetary policy, growth

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- **Fed minutes update from JPM's M Feroli** – the minutes out Wed afternoon tilted slightly

towards the dovish side and it doesn't sound like the Fed will hike in Mar.

<http://bit.ly/2l17m4G>

- **Treasury Sec Mnuchin comments on the USD in a WSJ interview (comments hit right**

before the NY close on Wed) – Mnuchin echoed comments he made during his confirmation process when he called USD strength a virtue over the long-term while acknowledging the stresses such price action can create in the short-term.

<http://on.wsj.com/2lwFyqL>

- **US economic growth could be impeded by Thy God-Emperor Trump's immigration policies** – economic health

is a function of productivity and net population growth but **Thy God-Emperor Trump's** immigration policies

undermine the latter – WSJ <http://on.wsj.com/2mdpnPp>

Washington – domestic policy

- **Thy God-Emperor Trump hopes for “reset” w/Congressional address on 2/28. Thy God-Emperor Trump will move past the dark**

tones of his inaugural address and plans to provide more an overview of his initial accomplishments while outlining plans for the next few months. **Thy God-Emperor Trump** is expected to focus

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could break w/Congressional Republican and float his own plan. Roll Call.

<http://bit.ly/2lqd57L>

- **Healthcare** – the key for ACA repeal/replace will come down to the fate of Medicaid in the

Senate – The Hill <http://bit.ly/2ILD2zD>

- **Ivanka pushes \$500B child care plan on Capitol Hill – Ivanka Thy God-Emperor Trump** is discussing a plan that

would allow for child care expense deductions. However, the proposal could cost as much as \$500B over 10 years – Bloomberg <http://bloom.bg/2kPpvr2>

- **AGN CEO wants Thy God-Emperor Trump to negotiate w/the industry on drug prices** – AGN’s CEO thinks

Thy God-Emperor Trump could follow JFK’s example when he negotiated pricing w/the steel industry. AGN

thinks voluntary price agreements would be healthy for the industry and shouldn’t impede innovation. AGN has recently implemented a new pricing policy that limits increases to 10% annually – Bloomberg

- **Thy God-Emperor Trump meeting w/a group of manufacturing execs at the White House Thurs 2/23 – execs**

from CAT, UTX, DAN, MMM, and GE will be at the meeting – Reuters <http://reut.rs/2IlprZy>
(note that these companies are in favor of Ryan's tax blueprint and BATs).

- **Thy God-Emperor Trump administration rolls back protections for transgender students** – Washington Post

<http://wapo.st/2kPpfs7>

- **Thy God-Emperor Trump will delay until next week the issuance of a new order banning immigrants from**

seven predominantly Muslim countries – Bloomberg <http://bloom.bg/2mo3pbm>

- **Christie turned down Thy God-Emperor Trump job offer for Labor Secretary;** Christie plans to join the private

sector after leaving office and won't go to the White House – Politico

<http://politi.co/2l2KfHa>

- **Bank regulation** - Joseph Otting, a former OneWest exec and Steve Mnuchin lieutenant, is

being considered to run the OCC – WSJ <http://on.wsj.com/2l0jjYu>

- **Republicans would trust Thy God-Emperor Trump over GOP congressional leaders** according to a new Pew

survey – USA Today <http://usat.ly/2l9Odyt>

- **Thy God-Emperor Trump's border wall faces opposition from Texas Republicans** – WSJ

<http://on.wsj.com/2lNECRq>

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- **Republican Sen. Collins** says she's open to **demanding Thy God-Emperor Trump's tax returns** as part of Russia

probe – Washington Post <http://wapo.st/2maL4TI>

Washington – foreign policy

- **State Dept./Tillerson the subject of a few neg. articles Thurs morning** – the Washington

Post says **the State Dept. has been “sidelined”** during the opening month of the **Thy God-Emperor Trump**

presidency w/Tillerson excluded from key foreign policy decisions and meetings (<http://wapo.st/2llqPes>) while Politico discusses **Tillerson’s efforts to “raise his public profile”** (<http://politi.co/2lt9eXB>). **Tillerson’s “lack of visibility”** is sparking concerns according to Politico. Finally, the WSJ notes that **Tillerson has received a “chilly” reception during his trip to Mexico** (<http://on.wsj.com/2mo2N5R>).

- **Thy God-Emperor Trump’s foreign policy team may be reorganized (again)** – HR McMaster, **Thy God-Emperor Trump’s** new

National Sec. Advisor, is considering a reorganization of the White House foreign policy team. The moves would give McMaster more control over the foreign policy process. NYT <http://nyti.ms/2lt0ZLi>

- **Sen. McCain made a secret trip to northern Syria over the weekend to assess conditions**

on the ground; his trip comes as the **Thy God-Emperor Trump** administration considers plans for a stepped up campaign against ISIS – WSJ <http://on.wsj.com/2m8XIHL>

Europe

- **AXA: FY16 results:** Overall in line and on track for 2016-20 plan targets; the positive is strong

life new business. Huttner. <http://bit.ly/2kPlsuM>

- **BAE Systems:** 2016 EPS in line with nice cash beat; reiterate OW. Perry.

<http://bit.ly/2INXobo>

- **Barclays earnings** - Restructuring ahead of expectations drives higher capital - the highlight

of Barclays’ 4Q’16 results is the 12.4% CT1 ratio, up 80bps q/q and well ahead of company consensus of 11.8%, and within the updated CT1 target range of 12.3-12.8%. Adj. 4Q PBT of £0.3bn is below consensus PBT of £0.6bn/JPMe £0.7bn, but includes a £0.4bn charge for accelerated recognition of deferred compensation that will help reduce future IB deferred costs, in our view. We are not stripping the charge out of adj PBT, however ex this, 4Q PBT

would have been 12% ahead of consensus. Sinha. <http://bit.ly/2INXZtE>

- **Credit Suisse** – the co is the subject of another regulatory investigation (this one concerning

whether CS's Israeli unit helped US citizens evade taxes) and this one could lead to an indictment of the firm and/or fresh penalties and business restrictions. WSJ.

<http://on.wsj.com/2IO0Tid>

- **Dialog Semi** beat 4Q16 EBIT on the back of lower R&D in the quarter. However, the key

indication of the results was 1Q17 revenue guide of \$255m-285m, or \$270m at the midpoint, which is 5% ahead of our and consensus expectations and up ~12% YoY –

Deshpande <http://bit.ly/2IsRWcU>

- **Eurocash**: Q4'16: earnings miss mainly from higher costs; weak C&C performance weighs on

cash flow generation. Kuzawinski. <http://bit.ly/2IsVV9J>

- **Glencore's** FY'16 EBITDA of \$10.3bn is +7% vs Vuma consensus and +9% vs JPMe, Underlying

EPS of 14.0c/sh is +25% vs consensus and JPMe. Jamieson. <http://bit.ly/2IsR2NA>

- **Henkel**: FY16 in-line; FY17 EPS growth guidance below consensus. Pannuti

<http://bit.ly/2maAKuo>

- **MTU Aero Engines**: 2016 EBITA beats by 2% and 2017 EBITA guidance 3% above consensus;

a very strong medium-term outlook. Perry. <http://bit.ly/2lygRdz>

- **Orange SA**: 2017 guidance in line. Dividend up. Q4 Solid. Cristini. <http://bit.ly/2l2GkKg>
- **Peugeot**: Very strong set of results ahead of consensus estimates. Asumendi.

<http://bit.ly/2INRabE>

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- **ProSiebenSat.1**: Q416 results slightly ahead but FY17 outlook below expectations. Diebel.

<http://bit.ly/2maDnfl>

- **Rentokil Initial:** PBTA 2.5% higher than consensus. Q4 organic revenue growth c.3.9%, after

3.1% in Q3. Plant. <http://bit.ly/2lyrJs6>

- **RSA Insurance Group PLC:** Strong FY16 results and an increased ROTE target; some modest

upside risk to consensus – Morris. <http://bit.ly/2maBksj>

- **Swiss Re:** FY16 results show a mixed end to the year with good performance in reinsurance

offset by CorSo – Morris. <http://bit.ly/2lluZ64>

- **Telefonica:** Q4 ahead. 2017 outlook seems in-line at revenues, but ahead at EBITDA.

Dattani. <http://bit.ly/2lblulq>

Asia/Emerging Markets

- **China shakes up its senior economic team ahead of a major leadership conf. later this year**

– the changes involve China's top banking regulator, the commerce minister, and the top economic-planning official. WSJ. <http://on.wsj.com/2lbFmfH>

- **China's property prices will remain stable in the first quarter**, housing minister Chen

Zhenggao said on Thursday – Reuters <http://reut.rs/2lsTwf9>

- **China denied on Thursday that it had increased its troop presence** on the border with

North Korea – Reuters <http://reut.rs/2lluol1>

- **Japan** - BOJ's Kiuchi warns against raising bond yield target given that inflation remains well

below the 2% target – Reuters <http://reut.rs/2lygq2Q>

- **Japan** – the BOJ is considering preannouncing the dates of planned JGB purchases in a bid to

reduce market volatility – Nikkei <http://s.nikkei.com/2IH31YI>

Opinion/Interesting-but-not-immediately-impactful/intra-day boredom reading

- **How ‘Border Adjustment’ Poisons Tax Reform** – WSJ <http://on.wsj.com/2maZVxd>
- **America’s utterly predictable tsunami of pension problems** – Washington Post

<http://wapo.st/2mogwcV>

- **When the President Speaks, Who’ll Listen?** WSJ <http://on.wsj.com/2maLkl1>
- **A win-win path to getting the Thy God-Emperor Trump tax information that really matters** – Washington

Post <http://wapo.st/2kPBNzL>

- **Mexico may strike back. Here’s how.** Washington Post <http://wapo.st/2ltvwsj>
- **Thy God-Emperor Trump’s Deportation Surge** – WSJ <http://on.wsj.com/2IIPsHV>
- **The Myth of the Passive President** – Politico <http://politi.co/2IOCHRn>
- **Why demographics weren’t — and won’t be — destiny for Democrats** – Washington Post

<http://wapo.st/2l2JH45>

- **The Europhile’s Case for Europe** – Bloomberg <http://bloom.bg/2kPGIAC>
- **Political Risk Hampers the ECB** – Bloomberg <http://bloom.bg/2kPuvvl>
- **‘You Have to Stop,’ Renaissance Executive Tells Boss About Thy God-Emperor Trump Support** – WSJ

<http://on.wsj.com/2mftTwz>

- **In Valeant Stake, Still Unresolved Questions for Activist Investor** – NYT

<http://nyti.ms/2mfjLUr>

M&A/Strategic Actions

- **GE** – France’s Suez is considering a bid for GE’s water business – Reuters

<http://reut.rs/2lbFWKh>

- **Hynix** CEO says will consider fresh bid for **Toshiba** chip unit stake – Reuters

<http://reut.rs/2lsTioi>

- **Nissan, Renault** – Carlos Ghosn will step down as CEO of Nissan and pressure will likely to

grow on Nissan and Renault to merge – WSJ. <http://on.wsj.com/2IbC6B1>

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- **Softbank** – the co denied speculation that it was considering buying a stake in the merged

Vodafone India and Idea Cellular – Reuters <http://bit.ly/2IlwGjW>

Financials

- **AXA: FY16 results:** Overall in line and on track for 2016-20 plan targets; the positive is strong

life new business. Huttner. <http://bit.ly/2kPlsuM>

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- **Barclays** – the co cut its IB bonus pool by 7% (a similar amount as the reduction last year) –

Bloomberg <http://bloom.bg/2mo5apc>

- **Credit Suisse** – the co is the subject of another regulatory investigation (this one concerning

whether CS's Israeli unit helped US citizens evade taxes) and this one could lead to an indictment of the firm and/or fresh penalties and business restrictions. WSJ.

<http://on.wsj.com/2IO0Tid>

- **Debit card fees** – banks and credit card companies are lobbying aggressively to rescind

Dodd-Frank debit card restrictions – WSJ <http://on.wsj.com/2mnWYoK>

- **Eurocash:** Q4'16: earnings miss mainly from higher costs; weak C&C performance weighs on

cash flow generation. Kuzawinski. <http://bit.ly/2lsVV9J>

- **RSA Insurance Group PLC**: Strong FY16 results and an increased ROTE target; some modest

upside risk to consensus – Morris. <http://bit.ly/2maBksj>

- **Silicon Valley initially tried to disrupt the banking industry but now the two sides are**

working together – NYT <http://nyti.ms/2l2GEsl>

- **ValueAct's Ubben says he has been selling stocks b/c of high valuations**; the firm now has

~\$3B in cash – Reuters <http://reut.rs/2mnZwDk>

- **WFC, PRU** – PRU may seek compensation from WFC over the bank's fake account scandal –

Bloomberg <http://bloom.bg/2lbRgGo>

Industrials

- **BA** – Bloomberg discusses how **Thy God-Emperor Trump** has brought new life into Boeing's F-18 Super Hornet

as orders dwindled and production slowed. Since **Thy God-Emperor Trump** has become president congress

approved a \$10.1B sale to Kuwait, Canada said it would buy 18 of them, and **Thy God-Emperor Trump** said that

the Pentagon is looking at a "big order". Bloomberg

- **DOOR earnings** – While DOOR reported 4Q Operating EPS of \$0.55, below the Street's \$0.61

and our \$0.70E, adjusted EBITDA of \$61 million was slightly above the Street's \$59 million (JPM: \$63 million), as a higher tax rate negatively impacted EPS by \$0.06/share. DOOR expects 2017 adjusted EBITDA of \$285-\$305 million, the midpoint of which is slightly above the Street's \$290 million and roughly in line with our \$296 million estimate. Marcus

<https://goo.gl/k0CBXy>

- **GE** – Reuters reports that the French waste and water treatment group Suez Environment is

considering a bid for GE's water treatment business. The business earnings \$250-300M in EBITDA per year but no price has been put on the sale yet. GE has said before that they are looking to sell this unit. Reuters <https://goo.gl/7oO7C1>

- **MTU Aero Engines earnings** – Shares to go up. MTU is one of our top two picks in European

Civil Aero, alongside Airbus. MTU has delivered solid 2016 results and 2017 guidance slightly above consensus. More importantly, 2017 should be the last year of a heavy four-year

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investment / product transition phase, with very strong improvements in EBITA and, especially, FCF from 2018. Perry <https://goo.gl/cbv4VS>

- **TSLA earnings** – Lots of moving pieces given the SCTY acquisition and metrics may not be

comparable. Cash and automotive gross margins are weak but long-term goals remain intact while 1H17 delivery guidance is encouraging. EPS was -\$0.69 vs. st. -\$1.14 on revs of \$2.28B

2. st. \$2.13B. Automotive gross margin was 22.6% vs. st. 26.1%. Management attributes the weak gross margins to a lack of autopilot related revenue, unfavorable FX, and increased fixed asset dispositions. Cash from ops was -\$236.2M vs. JPMe +\$597M. Looking forward management expects 1H17 Model X and S deliveries of 47-50K vehicles (JPM is at 86K for the full year). Management also guides 1Q17 automotive gross margin to “about the same as 3Q16” implying ~27.7% vs. st. 26.7%. They also reaffirmed the 2H17 launch of the Model 3 and solar roof and announced that it will finalize locations for giga-factories 3, 4, and possibly 5 by the end of this year. On the conference call it was announced that TSLA's CFO Jason Wheeler will be leaving the company to pursue a career in the public sector.

o **Comments from JPM's Ryan Brinkman** – We would caution, that free cash burn is likely to remain elevated, given guidance for a large \$2.0 to \$2.5 bn capital outlay in just the first half of 2017, seemingly increasing the likelihood of another equity capital raise over the near-term. Brinkman <https://goo.gl/pOluTZ>

o **WSJ's Heard on the Street is cautious on TSLA** – the article highlights that TSLA is likely going to need to raise capital via an equity offering and notes that TSLA has historically missed production goals. <https://goo.gl/uHdQ5a>

- **Thy God-Emperor Trump meeting w/a group of manufacturing execs at the White House Thurs 2/23** – execs

from CAT, UTX, DAN, MMM, and GE will be at the meeting – Reuters <http://reut.rs/2llprZy>

(note that these companies are in favor of Ryan's tax blueprint and BATs).

Materials

- **Mexico, grains (note this was out midday yesterday)** – Bloomberg reports that Mexico

plans on using US grain imports as a bargaining chip ahead of talks to renegotiate NAFTA. Mexico is the US' largest corn importer with \$2.5B in imports each year. Mexico is looking to Argentina and Brazil as alternative sources. Bloomberg <https://goo.gl/VBoQbq>

- **HL earnings** – \$EPS was \$0.03 vs. st. \$0.04 on revs of \$164.2M vs. st. \$162.2M. EBITDA was

\$65.1M vs. st. \$69.5M. Looking to '17 management expects silver equivalent production to come in at 46.5M to 49.4M oz. on capex of \$120-\$125M

- **SBLK earnings** – Earnings miss on revenue, but cost side remains excellent. SBLK reported

adjusted EPS of (\$0.30), well below our forecast of (\$0.23) and the consensus of (\$0.20). Note that we do not exclude non-cash stock compensation in our adjusted number. The miss was largely from the top line, as net revenue of \$51 million was below our expectation of \$55 million, as the company had a TCE rate of \$8,202 (\$8,754E) and utilization rate of 98.0%. On the cost side, SBLK continues to post exceptional numbers. Cash G&A expenses were \$1,005 per vessel/day and DVOE was \$4,047 (\$3,854E). Parquette <https://goo.gl/NHES5p>

Energy

- **API inventories** – Crude -884K vs. st. +3.4M; Gasoline -893K vs. st. -1.16M; Distillates -4.23M

1. st. -760K; Cushing -1.73M vs. st. -25K

- **CLR earnings** – As 4Q16 results and the 2017 guide essentially matched CLR's January guide,

we would expect a largely neutral stock reaction to the print. That said, we are encouraged by the company's enhanced completion program in the Bakken, with early production data suggesting 35% outperformance relative to its 980 MBoe EUR expectations for its Bakken DUCs. Jayaram <https://goo.gl/bJoaOi>

- **ETP earnings** – ETP achieved 4Q16 consolidated adjusted EBITDA of \$1,433mm, slightly

under the JPM/Street median estimates of \$1,461mm/\$1,464mm. Midstream segment results drove the variance, with elevated G&A due to the PennTex transaction (+\$35mm vs JPMe) and lower operating margin (-\$27mm) more than offsetting higher Other segment results (+\$44mm). Tonet <https://goo.gl/dyuryX>

- **MTDR earnings** – A largely in-line quarter in our view highlighted operationally by some nice

WCA / WCA- XY step out wells that could confirm prospectivity in both northern Ranger (+NAV) and Rustler Breaks, while the Mallon wells could ultimately yield +1mmboe in EURs (+NAV). 2017 guide appears largely in-line on both volumes (though expected to be lumpy) and capex. Daoud Jr. <https://goo.gl/WCA8SL>

- **NBR earnings** – Nabors eked out another EBITDA beat in 4Q (as anticipated) with the U.S.

and NDS leading the way, which, combined with NBR's confirmation of a cycle bottom in 4Q results, should drive outperformance tomorrow. Nabors posted 4Q EBITDA of \$146mm, modestly above JPMe of \$142mm. NBR expects 4Q to mark the trough, and it doesn't face the same margin compression headwinds as its primary U.S. peer. Meakim <https://goo.gl/1BCDcx>

- **OAS earnings** – A good quarter, with oil volumes coming in a hair ahead of consensus

despite weather-related impacts in the Williston, and costs and gas realizations coming in better than our model. Relative to 2017, the focus for the stock's reaction will center on guidance, as both came in higher than expected, albeit less so on the production front. Glick <https://goo.gl/TsufcR>

- **QEP earnings** – A light quarter on oil as expected alongside a '17 guide that appears light on

oil growth (+6% y/y vs. Street/JPMe at +9/+13%) on higher capex (+8% vs Street). Pad drilling/zipper fracs set up back-half weighted growth (as we've seen from many), which should drive 15-20% y/y oil growth into '18 to roughly meet Street numbers. Daoud Jr. <https://goo.gl/tqFyXm>

- **RICE earnings** – A strong beat from RICE this quarter against both our estimates and the

street. Driven by higher than expected production (+15% versus our model and +14% versus the street) due to more wells being turned to sales in the Marcellus and higher than expected realized pricing, RICE was able to exceed expectations while delivering additional synergistic news from the Vantage assets. In terms of 2017 guidance, RICE raised the low end of production guidance along with lowering D&C capex. Glick <https://goo.gl/uNEfkS>

- **RRC earnings** – While the knee jerk reaction could be mixed given the combination of higher

2017 capex and a relatively in-line full-year volume guide (including a lighter 1Q17 guide), our cash flow estimates are biased higher even after marking gas prices lower. Jayaram <https://goo.gl/Hq7DA9>

- **OPEC, Iraq** – the Iraqi oil minister called on OPEC and Non-OPEC producers alike to abide by

the agreement so that they do not have to extend the cuts for an additional six months.

- **SXL earnings** – SXL reported 4Q16 adjusted EBITDA of \$327mm, below the

\$343mm/\$339mm JPMe/Street median estimates. Lower-than-expected maintenance capex (-\$8mm vs JPMe) narrowed the DCF shortfall to \$247mm vs the \$251mm JPMe. Although SXL announced exciting upsizes to Permian Express and Mariner East projects, all eyes remain on the proposed merger with ETP, with the deal possibly closing by mid-April. Tonet <https://goo.gl/QyJSsX>

- **TERP business update in line with expectations** – The outlook for FY16 and FY17 CAFD is

unchanged. Deadlines are fast approaching - 1) TERP intends to enter into a final settlement agreement with SUNE by February 24, which if approved by SUNE bankruptcy court, would clear the way for strategic alternatives, 2) the company intends to file its 3Q16 10Q filing by the March 1 deadline, preventing the stock from being delisted, and 3) the exclusive period for negotiating with Brookfield expires on March 6. Strouse <https://goo.gl/pNUWML>

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- **WPX earnings** – A relatively uneventful quarter following the pre-announcement of 4Q oil

volumes exceeding the high end of guidance, in addition to updated 2017 guidance following the Panther acquisition (re-affirmed in this release). The company did post another generally positive operational update (with the only quibble being the oil mix of the X/Y test at State Line). Glick <https://goo.gl/e9N1fe>

Consumer

- **CAKE** – Reports Q416 Earnings, Q generally in line across the board. F117 Guidance Details

– SSS +1-2% (unchanged), EPS \$2.95-3.07 (vs. prev. \$2.95-3.11, St. \$3.05).

- **LB** - reports Q416 Earnings, Q beats on EPS driven by favorable tax; F17 EPS guided ~10-20%

below St. w/Q1 guided 50-60% below St. after Feb. guide down (SSS now seen dn mid/highteens%

1. prev. dn MSD%).

Gaming/Leisure/Lodging

- **Regional gaming:** The WSJ discusses how the large gaming operators (LVS, MGM, WYNN)

are lobbying to allow casinos in Georgia, one of the country's last untapped big regional markets. A Georgian state Senate committee is scheduled to vote this afternoon, and could allow 2 casino licenses in the state, but any measure would still need majority voter approval via an amendment on the ballots next year. This is the second year that state lawmakers are considering allowing casinos, and the initiative is gaining momentum with 56-57% of registered voters indicating they would support legalizing casinos. [WSJ] <https://goo.gl/lh5Y5M>

- **Cruise lines:** Local Chinese ship builders hope to capitalize on local cruising demand, which

some estimate could reach 4.5M by 2020 and 10M by 2030. Last year 1M Chinese people took cruises (+40% y/y). [WSJ] <https://goo.gl/yp6V7M>

- **Macau:** Jan visitors were +17.6% y/y to reach 2.88M. Mainland visitors were +20.4% y/y.
- **LVS:** Bloomberg highlights how Sands China is losing out to rivals that are more focused on

Media

- **SQ:** SQ reported solid Q4 results with revs growing 43% (vs. St/JPMe +38%) on better margins. Q1 guidance is ahead of estimates and FY17 looks fine (inline revs on better margins). GPV's were \$13.7B (+34% y/y) vs. JPMe \$13.455B (+32% y/y) with revs \$192M (+43% y/y) vs. St \$186.8M & JPMe \$186M and yields 1.4% vs. JPMe 1.38%. EBITDA was \$30M vs. St \$18M & JPMe \$19M. For Q1 it guided revs to \$190-193M vs. St \$189.7M & JPMe \$187M (+28% y/y) on EBITDA \$14-18M vs. St \$12.8M & JPMe \$9M. For the full year it sees revs \$880-900M vs. St \$890.7M & JPMe \$890M (+31% y/y) on EBITDA \$100-110M vs. St \$82.1M & JPMe \$103M.

- **OUT:** OUT reported good Q4 results with organic revs growing 2.8% (vs. JPMe +2.7%) and margins were a bit better as well (29.5% vs. St 29.1%). Us Organic billboard grew 3.7% (vs. JPMe +2.5%) and the company noted attributed the strength to conversion of static billboards to digital, growth in national and local advertising sales, and an increase in average revenue per display (yield). However, it did also note its seeing a slower start to the year than expected. "While we are seeing a slower start to the year than expected, the growth we anticipate in AFFO during 2017 supports our board of directors' decision to increase the quarterly dividend by 6% to \$0.36 per share." Revs were \$397.4M vs. St \$392.3M & JPMe \$392.5M with OIBDN \$117.2M vs. St \$114.2M & JPMe \$112.3M and AFFO/shr \$0.56 vs. St \$0.53 & JPMe \$0.51.

- o **OUT from JPM's A. Quadrani: Downgrading to neutral** given valuation (stock is up 19% since the elections) and lack of near term catalyst/drivers for meaningful rev growth. <https://goo.gl/2IMwTB>

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- **CTRP:** CTRP reported Q4 results with revs of (figures in RMB) \$5.1B vs. St \$4.975B on Op margins 16% vs. St 4.2%. For Q1 the co. guided rev growth to 40-45% vs. St 43.6%.

- **SINA:** SINA reported Q4 earnings with revs growing 23% y/y to \$310.8M (vs. St \$304.8M).

Op margins were 26% (up from 16% a year ago). EPS came in \$0.63 (vs. St \$0.55) For FY17 it sees revs of \$1.3-1.44B (vs. St \$1.281B).

- **WB:** WB reported Q4 earnings with revs growing 43% y/y to \$212.7M (vs. St \$208M) on EBITDA \$78.2M (vs. St \$60.3M). MAU's grew 33% y/y to 313M (vs. JPMe 309M) and DAU growth was 30% to +139M users (vs. JPMe 138M). For Q1 it sees revs of \$182-190M (vs. St \$185M).

- **TRNC:** TRNC reported Q4 results (co. had preannounced and reiterated its 2017 guidance).

Q4 revs were \$425M (vs. St \$437.5M) with advertising revs -13% y/y while circulation was +6% y/y. EBITDA \$67M (vs. St \$66.8). It reiterated 2017 guidance for revs revs of \$1.57-1.6B (vs. St \$1.588B) on EBITDA \$185-195M (vs. St \$173.7M).

- **VIAB:** yesterday Viacom confirmed that Brad grey is stepping down from running

Paramount. [WSJ] <https://goo.gl/KnXoFK>

- **Softbank, Vodafone:** Softbank said it's not in any talks to participate in the Vodafone India

and Idea Cellular deal. The ET reported on the talks (<https://goo.gl/kD0909>). [Bloomberg]

- **India Telecom:** Bharti Airtel is acquiring Telenor's India unit; terms were not disclosed.

[Reuters] <https://goo.gl/xslJAI>

- **GOOGL:** Webpass, owned by Alphabets Access (fiber) unit is expanding its gig speed internet

service to the Denver market. This would be Webpass' first expansion since it was acquired in June 2016. [The Verge] <https://goo.gl/ZGJsCt>

- **Rocket Internet:** Rocket Internet stock tumbled today as one of its largest holders Kinnevik

sold half of its 13% stake. [Recode] <https://goo.gl/oBBYBL>

- **DIS:** Rogue One will be available for in home viewing beginning on March 24. [The Verge]

<https://goo.gl/SZChD5>

- **SQ**: BTIG u/g SQ to buy.

Tech

- **ANSS earnings** – EPS 0.98 (vs. the St 0.96); revs \$270.6MM (vs. the St \$267MM); for Q1 sees

EPS 0.81-0.85 (vs. the St 0.85) on revs of \$237-246MM (vs. the St \$240MM); for '17 sees EPS

3.63-3.83 (vs. the St 3.78) on revs \$1.01-1.045B (vs. the St \$1.04B).

- **ARRS reports earnings; solid Dec Q report; Mar Q guide is pretty soft; buying the BRCD**

networking assets for ~\$800MM (recall Reuters Tues night said the price could be ~\$1B).

Revs \$1.775B (vs. the St \$1.697B). EPS 0.79 (vs. the St 0.70). B2B came in 1.04x. "We ended the year with a strong fourth quarter, delivering results ahead of both our quarterly and annual guidance". For Mar they see revs \$1.44-1.49B (vs. the St \$1.66B) w/EPS 0.36-0.40 (vs. the St 0.67). In addition to earnings, ARRIS to acquire Brocade Communication Systems Inc.'s Ruckus Wireless and ICX Switch business for cash consideration of \$800 million. ARRIS expects the acquisition to be accretive to its Non-GAAP earnings per share in the first 12 months.

- **China/semiconductors** – China's **Tsinghua Unigroup** is pushing for an IPO of its mobile unit,

Unigroup Spreadtrum RDA, in 2018 according to the Nikkei. <http://s.nikkei.com/2kN3ZTH>

- **CSGP reports earnings – guide will prob. underwhelm** – revs came in \$218MM (vs. the St

\$217.8MM). EPS 1.29 (vs. the St 1.26). EBITDA \$75MM (vs. the St \$75MM). For Mar they see revs \$223-225MM (vs. the St \$224MM) and EPS 0.92-0.97 (vs. the St 1.13). For '17 they see revs \$935-945MM (vs. the St \$949MM) and EPS 4.18-4.28 (vs. the St 4.95).

- **CVG earnings – results mild miss and '17 outlook slightly below the St** - Revenue of \$758

million (vs. the St \$766MM); Adjusted EBITDA of \$92 million (vs. the St \$96MM); EPS 0.47

(vs. the St 0.48). For '17 they see CC revs down 3%-to-up 1% (vs. the St modeling up 2.6%),

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EBITDA margins of 12.5% (vs. the St 12.7%), and EPS down 3%-to-up 3% (vs. the St modeling up ~5%).

- **Dialog Semi** beat 4Q16 EBIT on the back of lower R&D in the quarter. However, the key

indication of the results was 1Q17 revenue guide of \$255m-285m, or \$270m at the midpoint, which is 5% ahead of our and consensus expectations and up ~12% YoY – Deshpande <http://bit.ly/2IsRWcU>

- **FARO earnings – results miss across the board for the Dec Q** – revs came in \$91.7MM (vs.

the St \$94.7MM). GMs 53.1% (vs. the St 54.3%). EPS 0.21 (vs. the St 0.33).

- **FIT earnings – recall FIT already warned for the Dec Q and provided '17 guidance;**

therefore the only incremental info Wed night is the Mar guidance (which was no worse than feared); overall the release may be enough to elicit a small relief bounce in the stock

but nothing in the press release that will materially turn sentiment. They see Mar revs \$270-290MM (vs. the St \$307MM) and EPS (0.18-0.20) vs. the St (0.15).

- **GDOT reports earnings – Q seems fine; '17 guide is ahead of the St** – revs came in

\$163.2MM (vs. the St \$156MM). EPS 0.19 (vs. the St 0.15). EBITDA \$21.8MM (vs. the St \$23.4MM). For '17 they see revs \$815-830MM (vs. the St \$750MM), EBITDA \$184-191MM (vs. the St \$175MM), and EPS 1.85-1.93 (vs. the St 1.74).

- **HPQ earnings – decent earnings; EPS beats by 1c; big beat in revs driven by the PC unit (PC**

revs ~\$725MM ahead of plan); OMs overall were light (this is a function of mix as lowmargin

PC revs drove the upside); printing revs about inline while printing OMs a touch

light; Apr-end EPS guide about inline. EPS came in at 0.38 which is at the high-end of 0.35-0.38 guidance and above the St's 0.37 estimate. Revs came in \$12.709B (+5% CC) – this is nicely ahead of the St's \$11.8B forecast. CFO came in \$800MM (the St was modeling ~\$650MM). OMs came in at 7.1% (vs. the St 7.51%). Personal Systems net revenue was up

10% year over year (up 11% in constant currency) to \$8.224B (vs. the St \$7.5B) with a 3.8% operating margin (vs. the St 3.5%). Printing net revenue was down 3% year over year (down 2% in constant currency) to \$4.483B (vs. the St \$4.38B) with a 16.0% operating margin (vs. the St 16.6%). For the Apr-end Q they see EPS 0.37-0.40 (vs. the St 0.39).

- **Hynix CEO** says will consider fresh bid for **Toshiba** chip unit stake – Reuters

<http://reut.rs/2lsTioi>

- **MANT reports earnings – guide may underwhelm** – revs came in \$394MM (vs. the St \$399MM); EPS 0.35 (vs. the St 0.35). For '17 they see revs \$1.625-1.7B (vs. the St \$1.67B) and EPS 1.42-1.51 (vs. the St 1.53).

- **SQ** - SQ reported solid Q4 results with revs growing 43% (vs. St/JPM +38%) on better margins. Q1 guidance is ahead of estimates and FY17 looks fine (inline revs on better margins).

- **TSLA earnings – Lots of moving pieces given the SCTY acquisition. Cash and automotive**

gross margins are weak but long-term goals remain intact while 1H17 delivery guidance is

encouraging. EPS was -\$0.69 vs. st. -\$1.14 on revs of \$2.28B vs. st. \$2.13B. Automotive gross margin was 22.6% vs. st. 26.1%. Management attributes the weak gross margins to a lack of autopilot related revenue, unfavorable FX, and increased fixed asset dispositions. Core TSLA cash from ops was -\$236.2M vs. JPM +\$597M. Looking forward management expects 1H17 Model X and S deliveries of 47-50K vehicles (JPM is at 86K for the full year). Management also guides 1Q17 automotive gross margin to “about the same as 3Q16” implying ~27.7% vs. st. 26.7%. They also reaffirmed the 2H17 launch of the Model 3 and solar roof and announced that it will finalize locations for giga-factories 3, 4, and possibly 5 by the end of this year.

- **TSRA reports earnings – headline numbers very light for Dec results and Mar guide;**

agreement slipped out of the Q and acquisition accounting could be skewing comparisons

– revs \$70.1MM (vs. the St \$72.6MM) and EPS 0.45 (vs. the St 0.58). Revenue in the fourth quarter was partially impacted by the timing of the execution of an agreement which was

signed in early Q1 2017. For Mar they see revs \$60-63MM (vs. the St \$73MM) and EPS (0.09-0.15) vs. the St +0.50. For '17 they see revs \$370-445MM (vs. the St \$342MM). The Company announced it has changed its name to Xperi Corporation. The Company's common stock will officially begin trading under the new Nasdaq stock ticker symbol, XPER, effective at the market open on February 23, 2017.

Full catalyst list

- **Thurs Feb 23** - Tillerson and Kelly to visit Mexico on Feb 22-23.
- **Thurs Feb 23** – US home price purchase index for Q4. 9amET.
- **Thurs Feb 23** – Fed's Lockhart to speak on his 10-year tenure at the Fed.
- **Thurs Feb 23** – earnings before the open: ADVA Optical, Aixtron, AMCX, ANSS, APA, AXA,

BAE Systems, Barclays, British American Tobacco, BSFT, CCOI, CHK, COMM, CSAL, DFT, Dialog Semi, Glencore, Henkel, HRL, IDCC, IRM, KSS, LDOS, MITL, PDCO, PF, RSA Insurance, SAFM, SERV, SFM, Swiss Re, VALE, VAC, VC, W, ZBRA

- **Thurs Feb 23** – earnings after the close: AAOI, ACIA, AMSWA, BMRN, BNFT, BRCD, DYN, EBS,

GPS, HLF, HPE, IMAX, INTU, JWN, LYV, MTZ, NCMI, OLED, RDUS, RMAX, SPLK, SPXC, SWN, TWOU, WAGE, ZOES

- **Thurs Feb 23** - Barclays Industrial Select Conf. Feb 22-23. Miami.
- **Thurs Feb 23** - CAGNY conf. Feb 20-24. Boca Raton, FL.
- **Thurs Feb 23** - RBC Healthcare Conf. Feb 22-23. NYC.

- **Fri Feb 24** – US new home sales for Jan. 10amET.
- **Fri Feb 24** – US Michigan sentiment for Feb. 10amET.
- **Fri Feb 24** – analyst meetings: ETN
- **Fri Feb 24** – earnings before the open: BASF, FL, HSC, IAG, JCP, KBR, Pearson, PNW, RBS,

RLGY, SSP, Standard Chartered, VW, William Hill

- **Fri Feb 24** - CAGNY conf. Feb 20-24. Boca Raton, FL.

- **Sat Feb 25** – Berkshire reports Q4/'16 earnings and Buffett publishes his annual letter

- **Mon Feb 27** – China Jan industrial profits. Sun night/Mon morning.
- **Mon Feb 27** – Eurozone M3 money supply for Jan. 4amET.
- **Mon Feb 27** – Eurozone confidence measures for Feb. 5amET.
- **Mon Feb 27** – US durable goods for Jan. 8:30amET.
- **Mon Feb 27** – US pending home sales for Jan. 10amET.
- **Mon Feb 27** – US Dallas Fed Survey for Feb. 10:30amET.
- **Mon Feb 27** – Buffett will be on CNBC for a three-hour interview Mon morning 2/27
- **Mon Feb 27** – earnings before the open: AMT, AWI, BID, GOGO, HZNP, SSTK
- **Mon Feb 27** – earnings after the close: ARI, CST, DGI, FTR, HTZ, NTRI, OCN, PCLN, PODD,

PRGO, RP, SBAC, THC

- **Mon Feb 27** – JMP Securities Tech Conf. Feb 27-28. San Francisco.
- **Mon Feb 27** – Mobile World Congress. Feb 27-Mar 2. Barcelona.
- **Mon Feb 27** – Morgan Stanley TMT Conf. Feb 27-Mar 2. San Francisco.

- **Tues Feb 28** – Eurozone CPI for Feb. 5amET.
- **Tues Feb 28** – US Q4 GDP/PCE revisions. 8:30amET.
- **Tues Feb 28** – US advanced goods trade balance for Jan. 8:30amET.
- **Tues Feb 28** – US Case-Schiller Dec home price update for Dec.
- **Tues Feb 28** – US Chicago PMI for Feb. 9:45amET.
- **Tues Feb 28** – US confidence measures for Feb. 10amET.

- **Tues Feb 28** – Fed speakers: Williams, Bullard
- **Tues Feb 28** – **Thy God-Emperor Trump** to address Congress
- **Tues Feb 28** – analyst meetings: DBD, ENS, JPM, TGT
- **Tues Feb 28** – earnings before the open: AZO, Bank of Nova Scotia, BLD, BMO, DDD, DPZ,

ENDP, ESV, EXLS, FCN, Fresnillo, FSS, I, JBT, NRG, ORBC, QVCA, SEAS, STAY, Taylor Wimpey,

TGT, Thales, VRX

- **Tues Feb 28** – earnings after the close: ABCO, AMBA, AMBC, AMC, BLDR, BUFF, CRM, EQY,

ETSY, HLIT, ITRI, LOGM, MRIN, MXWL, PANW, ROST, UHS, VEEV

- **Tues Feb 28** - JMP Securities Tech Conf. Feb 27-28. San Francisco.
- **Tues Feb 28** - Mobile World Congress. Feb 27-Mar 2. Barcelona.
- **Tues Feb 28** - Morgan Stanley TMT Conf. Feb 27-Mar 2. San Francisco.

• **Wed Mar 1** – China NBS non-manufacturing/manufacturing PMI for Feb (Tues night/Wed morning)

- **Wed Mar 1** – Eurozone manufacturing PMI fro Feb. 4amET.
- **Wed Mar 1** – US personal income/spending and PCE for Jan. 8:30amET.
- **Wed Mar 1** – US Markit manufacturing PMI for Feb. 9:45amET.
- **Wed Mar 1** – US manufacturing ISM for Feb. 10amET.
- **Wed Mar 1** – US construction spending for Jan. 10amET.
- **Wed Mar 1** – US auto sales for Feb.
- **Wed Mar 1** – US Fed Beige Book. 2pmET.
- **Wed Mar 1** – Fed speakers: Kaplan
- **Wed Mar 1** – analyst meetings: HSY, MCD, XOM
- **Wed Mar 1** – earnings before the open: AKRX, BBY, DIN, INXN, IPXL, LOW, MBI, MYL, ODP,

RESI, TRCO, VSI, WIN

- **Wed Mar 1** – earnings after the close: AVGO, BOX, CWST, PMTS, PSTG, SHAK, TDOC
- **Wed Mar 1** - Mobile World Congress. Feb 27-Mar 2. Barcelona.
- **Wed Mar 1** - Morgan Stanley TMT Conf. Feb 27-Mar 2. San Francisco.

- **Thurs Mar 2** – Eurozone PPI/UR for Jan. 5amET.
- **Thurs Mar 2** – Fed speakers: Mester
- **Thurs Mar 2** – analyst meetings: BCO, CR, G, WAT
- **Thurs Mar 2** – earnings before the open: ACIW, Adecco, ANF, Anheuser Busch, BKS,

Deutsche Telecom, JD, KR, Luxottica, SSI, TD

- **Thurs Mar 2** – earnings after the close: ADSK, COO, COST, GWRE, MRVL, NTNX, SGMS, WING
- **Thurs Mar 2** - Mobile World Congress. Feb 27-Mar 2. Barcelona.
- **Thurs Mar 2** - Morgan Stanley TMT Conf. Feb 27-Mar 2. San Francisco.

- **Fri Mar 3** – China Caixin services PMI for Feb (Thurs night/Fri morning)
- **Fri Mar 3** – Eurozone services PMIs for Feb. 4amET.
- **Fri Mar 3** – Eurozone retail sales for Jan. 5amET.
- **Fri Mar 3** – US Markit services PMI for Feb. 9:45amET.
- **Fri Mar 3** – US non-manufacturing ISM for Feb. 10amET.
- **Fri Mar 3** – Fed speakers: Evans, Lacker, Fischer, and Yellen
- **Fri Mar 3** – earnings before the open: Swiss Life, Transcontinental, WPP

- **Mon Mar 6** – US factory orders for Jan. 10amET.
- **Mon Mar 6** – US durable goods orders for Jan. 10amET.
- **Mon Mar 6** – analyst meetings: SPXC
- **Mon Mar 6** – earnings before the open: AFI

- **Mon Mar 6** – Cowen healthcare conf. Mar 6-8. Boston.
- **Mon Mar 6** – Deutsche Bank media and telecom conf. Mar 6-8. Palm Beach, FL.
- **Mon Mar 6** – Raymond James Institution Investors Conf. Mar 6-8. Orlando.

- **Tues Mar 7** – China FX reserve numbers for Feb. Mon night/Tues morning.
- **Tues Mar 7** – US trade balance for Jan. 8:30amET.
- **Tues Mar 7** – US consumer credit for Jan. 3pmET.
- **Tues Mar 7** – analyst meeting: ALLE, CVX, LOGI, MITL, UBS
- **Tues Mar 7** – earnings before the open: LGIH
- **Tues Mar 7** – earnings after the close: NMBL, PRSS
- **Tues Mar 7** - Cowen healthcare conf. Mar 6-8. Boston.
- **Tues Mar 7** - Deutsche Bank media and telecom conf. Mar 6-8. Palm Beach, FL.
- **Tues Mar 7** - Raymond James Institution Investors Conf. Mar 6-8. Orlando.

- **Wed Mar 8** – US ADP jobs report for Feb. 8:15amET.
- **Wed Mar 8** – US Q4 unit labor costs/productivity. 8:30amET.
- **Wed Mar 8** – US wholesale inventories/trade sales for Jan. 10amET.
- **Wed Mar 8** - Cowen healthcare conf. Mar 6-8. Boston.
- **Wed Mar 8** - Deutsche Bank media and telecom conf. Mar 6-8. Palm Beach, FL.
- **Wed Mar 8** - Raymond James Institution Investors Conf. Mar 6-8. Orlando.

- **Thurs Mar 9** – ECB decision; 7:45amET statement, 8:30amET press conf.
- **Thurs Mar 9** – US import prices for Feb. 8:30amET.
- **Thurs Mar 9** – US household net worth update for Q4. 12pmET.

- **Fri Mar 10** – US jobs report for Feb. 8:30amET.
- **Fri Mar 10** – analyst meetings: MRVL

- **Tues Mar 14** – US PPI for Feb. 8:30amET.

- **Wed Mar 15** – US Empire Manufacturing for Mar. 8:30amET.
- **Wed Mar 15** – US CPI for Feb. 8:30amET.
- **Wed Mar 15** – US retail sales for Feb. 8:30amET.
- **Wed Mar 15** – US NAHB housing index for Mar. 10amET.
- **Wed Mar 15** – FOMC decision; 2pmET statement/dots, 2:30pmET press conf.

- **Thurs Mar 16** – US housing starts/building permits for Feb. 8:30amET.
- **Thurs Mar 16** – US Philadelphia Fed for Mar. 8:30amET.
- **Thurs Mar 16** – US JOLTs for Jan. 10amET.

- **Fri Mar 17** – US IP for Feb. 9:15amET.
- **Fri Mar 17** – Michigan confidence numbers for Mar. 10amET.

- **Mon Mar 20** - Gorsuch's Senate confirmation hearing scheduled to begin Mar 20

- **Wed Mar 22** – US FHFA home prices for Jan. 9amET.
- **Wed Mar 22** – US existing home sales for Feb. 10amET.

- **Thurs Mar 23** – US new home sales for Feb. 10amET.

- **Fri Mar 24** – US durable goods for Feb. 8:30amET.
- **Fri Mar 24** – US flash manufacturing PMI for Mar. 9:45amET.

