



### Top Stories

- [Brexit Vote: Investors Go from Denial to Fear](#)
- [MSCI Delays China Inclusion](#)
- [Celgene Approves \\$3 Billion Additional BuyBack](#)
- [\\$20 Billion UK based pharma Perrigo Spikes on Takeover](#)
- [Amazon Gearing Up for Huge Prime Day Sale](#)

### Economic Calendar

- 8:30 Producer Price Index
- 8:30 Empire State Manufacturing Index
- 9:15 Industrial Production
- 10:30 EIA Petroleum Status Report
- 2:00 FOMC Announcement
- 3:30 Fed Chair Yellen Conference

### Key Earnings / Events

- Today BMO: EJ, EROS
- Today AMC: CLC, CTRP, JBL
- Tomorrow BMO: KR

### Noteworthy Analyst Actions

#### Initiates Coverage / Reiterates Rating

- MDT - Piper raises PT to \$94 after meeting with mgmt.
- VRX - Guggenheim sees multiple catalysts to boost stock
- PG - Jefferies initiates as Buy
- LUX - Initiated Buy at Credit Suisse

#### Upgrades:

- RGC - RBC upgrades to Outperform
- HCLP - Upgraded to Strong Buy at Raymond with \$17 PT

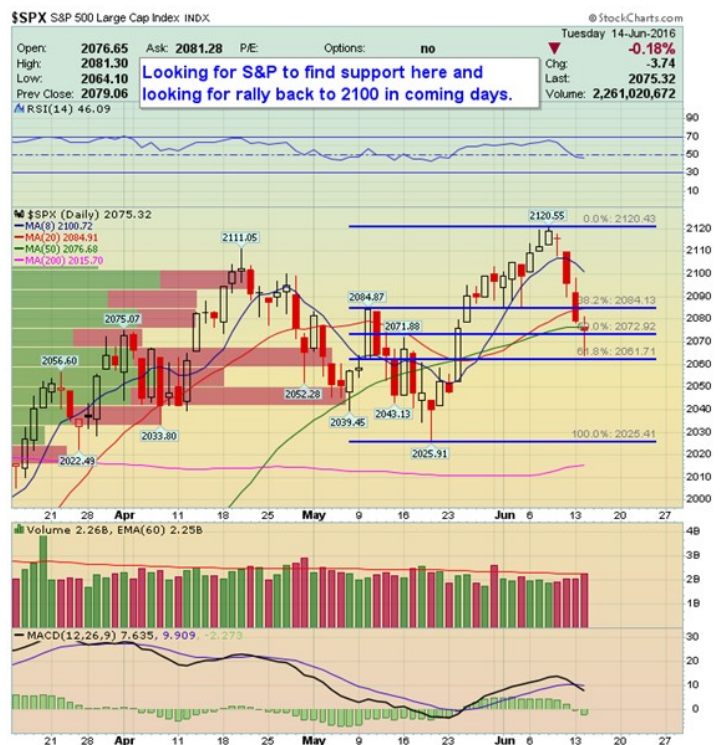
#### Downgrades:

- CSCO - Goldman cuts to Neutral
- TSO - Credit Suisse cuts to Neutral

### Market Snapshot - S&P

Futures are indicating higher open, snapping four day losing streak ahead of FOMC announcement at 2:00 pm ET today which is pricing in less than 10% chance of rate hike. Crude oil down slightly after surprise build of 1.5M barrels.

From technical stand point, yesterday intra-day we saw big doji candle which is first sign of reversal. Most likely the 20-day moving average resistance at 2084 will act as first layer for pause on the way back up. NYMO closed at -55.72 which is not yet fully oversold but close to levels where market tends to bottom in short term. Prior to yesterday, we saw 3 straight days of declining issues crossing 80% vs. advancing issues, but that improved yesterday with declining issues finishing at 61.7%. So, a bit improvement in internals with this bounce is a good sign for the bulls.



## Whitewave Foods (WWAV)

**Whitewave Foods (WWAV)** - Yesterday late afternoon we saw bullish risk reversal with 5,000 October 37.5 puts sold to open for \$0.94 credit to finance 5,000 October 47.5 calls for \$2.04 debit. Trade costs net cash outlay of \$550,000. Chart finished yesterday with hammer reversal candle. This is the second time we are covering this stock after a we provided a bullish technical view in June 10 First Read. WWAV saw unusual call buying back on June 3 as well driven by M&A rumor. Last quarter company beat EPS by a penny and beat revenues by 3% above consensus view. FY2016 EPS Guidance was impressive at \$1.44 vs. \$1.36 estimate. Revenues were up ~14% y/y and included strong organic growth across all brands. The revenue beat is mainly attributed to an increase in volume, a small benefit from pricing as well as strength in acquired businesses. WWAV expanded consolidated EBIT margin ~50 bps y/y to 8.7%, benefitting from improving cost leverage and supply chain efficiencies. Management now expects 10.5-11.5% y/y net sales growth (previously 10-11%). Operating income is expected to increase throughout FY16 (75+ bps total y/y expansion) as sales of Earthbound Farms slowly rebound in 2H16 and the company completes capacity expansion efforts.



## Relative Performance

### (+) IMPROVING RELATIVE PERFORMERS

**Bond Proxies** – Specialized REITs (CCI, IRM) and Utilities (NI, EIX) reaccelerate with improving relative performance

**Staples** – Showing signs of stabilizing/recovering after recent declines – Select names look timely: COST, WBA

**Healthcare** – Equipment & Supplies continue to generally improve – XRAY and MDT are breaking out

**Discretionary** – Restaurants continue to show signs of improving/reaccelerating: DRI, YUM, MCD, SBUX

**Technology** – Sector relative performance is becoming more mixed, but select Semis continue to improve: NVDA, INTC

**Industrials** – Waste Management names are reaccelerating after a near-term pullback: WM, RSG

**Energy** – Notably fewer names making real/relative highs, but Integrated names continue to improve: XOM, CVX

### (-) WEAKENING RELATIVE PERFORMERS

**Financials** – Beginning to see signs of relative underperformance, notably Asset Managers (BEN, IVZ) and Banks (C, CFG)

**Healthcare** – Biotech weakness continues with relative performance leading lower: ALXN, REGN

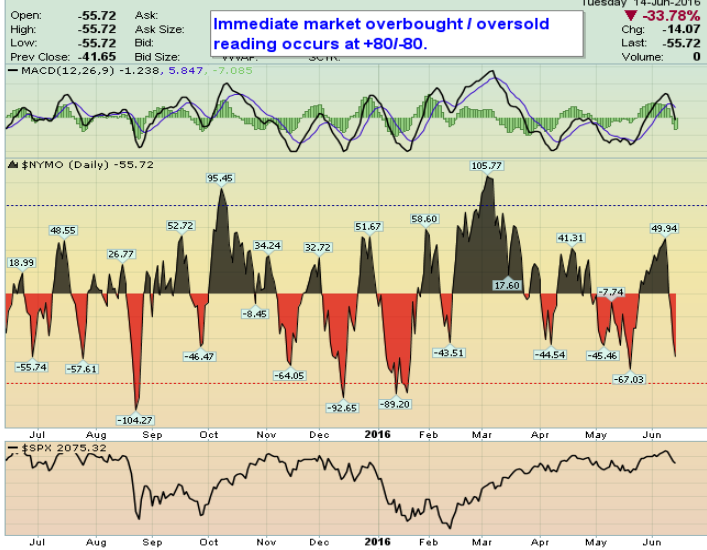
**Discretionary** – Auto-related (BWA, DLPH) are correcting once again, while Dept. Stores (KSS, M) remain under pressure

**Industrials** – Airlines remain weak – Relative performance making new 2016 lows: DAL, ALK

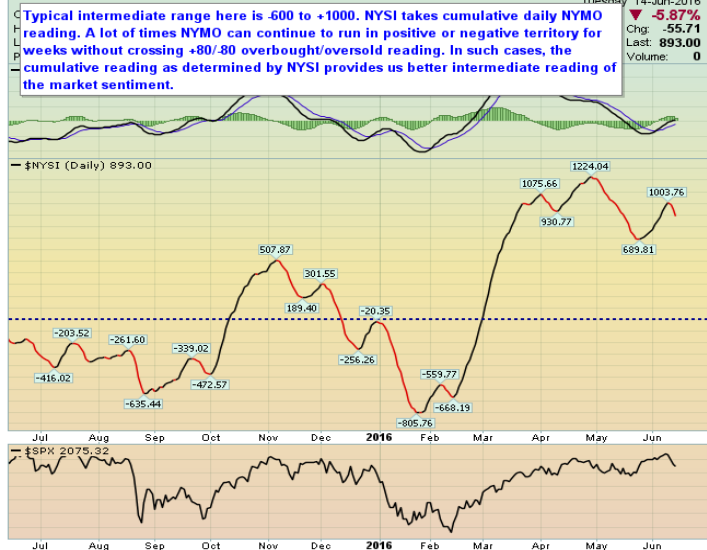
**Energy** – Refiners continue to underperform with relative performance leading lower: VLO, TSO

# Market Internals

**\$NYMO NYSE McClellan Oscillator (Ratio Adjusted) (EOD) INDX** © StockCharts.com



**\$NYSI NYSE McClellan Summation Index (Ratio Adjusted) (EOD) INDX** © StockCharts.com



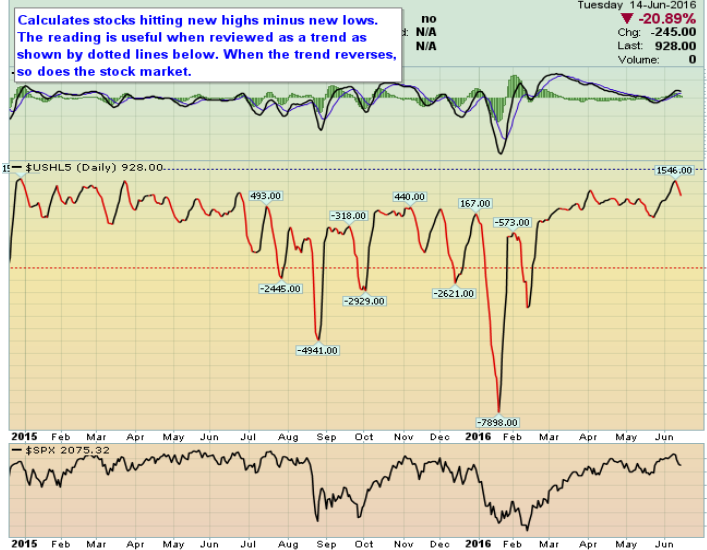
**\$SPXA50R S&P 500 Percent of Stocks Above 50 Day Moving Average (EOD) INDX** © StockCharts.com



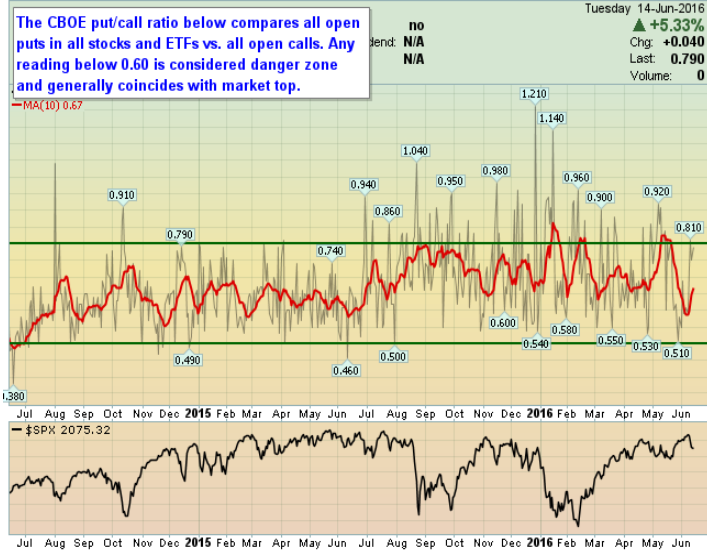
**\$NYA50R NYSE Percent of Stocks Above 50 Day Moving Average (EOD) INDX** © StockCharts.com



**\$USHLS US New Highs-New Lows (5 day total, EOD) INDX** © StockCharts.com



**\$CPCPE CBOE Options Equity Put/Call Ratio (EOD) INDX** © StockCharts.com



# Advanced Auto Parts (AAP) Massive Insider Buying

X	Filing Date	Trade Date	Ticker	Insider Name	Insider Title	Trade Type	Share Price	Shares Traded	Shares Owned	Own chg	Value Traded
DM	2016-06-10 20:00:58	2016-06-08	AAP	Smith Jeffrey C	Dir	P - Purchase	\$154.84	+397,624	2,756,271	+17%	+\$61,567,707
	2016-06-09 08:06:43	2016-06-07	AAP	Greco Thomas	CEO	P - Purchase	\$150.82	+6,700	35,904	+23%	+\$1,010,494
D	2016-06-03 21:46:15	2016-06-01	AAP	Smith Jeffrey C	Dir	P - Purchase	\$152.88	+100,000	2,358,647	+4%	+\$15,287,620
DM	2016-05-31 21:49:47	2016-05-26	AAP	Smith Jeffrey C	Dir	P - Purchase	\$155.68	+400,000	2,258,647	+22%	+\$62,270,470
D	2016-05-25 21:36:09	2016-05-25	AAP	Smith Jeffrey C	Dir	P - Purchase	\$152.73	+150,000	1,858,647	+9%	+\$22,909,500

As shown in table above, since late May we have seen massive insider buying in AAP by various top executives. Additionally, activist shareholder Starboard has been busy buying the stock as well. All started after the new CEO Tom Graco took over in early May while the stock is depressed, down from \$200 to \$152 in past 8 months.

The new CEO conducted analyst meeting on June 13 and outlined undeniable truths and indisputable challenges. It was a kitchen sink analyst day with every dirty secret thrown at the table to reset the game of expectations. Talking points from BAML research: While Mr. Greco is still in the process of formulating a five-year strategy, he is also meeting with vendors, including ones which previously supplied AAP, in order to forge new partnerships in a more customer-centric organization. Despite the significant opportunities ahead, he also identified the Southeast as a major area of weakness, as consolidation of CarQuest stores into Advance led to the loss of parts pros and market share to competitors such as ORLY. As a show of his confidence in AAP's potential, Mr. Greco bought \$1mn in stock last week.

Describing himself as a "market share hound," Mr. Greco discussed areas where direct store delivery (DSD) metrics from his previous company, Frito-Lay, were highly applicable to AAP, such as accountability in terms of sales calls, deliveries, average order size and customer gains/losses. While employees currently lack some tools, training and technology to compete, we expect Mr. Greco to try to leverage the best aspects of each business across the organization, for example WorldPak's online platform and digitized supply chain.

While improvement won't come overnight, Mr. Greco is a proven leader who, over time, can deliver the much greater levels of profitability and returns that AAP is capable of.



**Fahad Khalid**

Director of Research, JaguarAnalytics

email: FKhalid@jaguaranalytics.com

Twitter: @opinterest @jaguaranalytics