



HD, SE, WMT, NVDA, WDAY

**Home Depot (HD)** will report results 11/17 before the open with the Street expecting \$3.04 EPS and \$31.9B in Revenues (+17.2%), and FY21 seen at \$11.47/\$126B. HD shares have closed lower the last four reports and 9 of the last 11 with a six quarter average max move of 3.45%. The \$300B home improvement retailer trades 23.2X Earnings, 2.5X Sales and 26.4X FCF with a 2.16% yield, fairly attractive valuation for a strong comps story as renovation & remodel continues to be a trend with plenty of positive tailwinds. Analysts have an average target of \$304 and short interest low at 0.6% of the float. HD numbers are expected to be strong with improving Pro trends as restrictions eased as well as strength in housing activity. Gordon Haskett upgraded to Buy last week preferring it to Lowe's in 2021 in favor for the Pro do-it-for-me model over do-it-yourself and sees better operating margin flow-through. MSCO out positive 10/7 with a \$300 target positive on the business and the stock. OpCo out cautious 9/18 seeing near-term risks after a pull-forward demand phase will impact growth rates moving forward. Hedge Fund ownership fell 3% in Q2 filings. On the chart HD shares are in a multi-week consolidation forming a bull pennant with the rising 21-week moving average supportive, support at \$270 and resistance \$290. HD options are pricing in a 3% earnings move and 30 day IV Skew at +2.3 compares to the +2.8 52-week average. HD in early October with large spreads selling January \$250 puts to buy \$300/\$330 call spreads, otherwise seen limited activity outside of January \$290, \$300 and \$320 call buys from August.

Trade to Consider: Long the **HD** December/January \$300 Call Calendar Spread at \$2.15 Debit



**Sea (SE)** will announce quarterly numbers 11/17 before the open with the Street consensus at (\$0.53) EPS and \$1.4B in Revenues (+129%), and Q4 seen at (\$0.61)/\$1.63B. SE shares have closed higher 7 of its last 8 reports with a six quarter average max move of 15.58%. The \$87.5B hyper-growth ecommerce, online gaming and fintech provider in Asia trades 12.5X FY21 EV/Sales with revenues seen growing 40% in 2021 after 163% growth in 2019 and 130% growth in 2020. Analysts have an average target of \$180 and short interest at 8.7% of the float is down 6.7% Q/Q. Shopee is the market leader and further asserting its position over peers. In gaming - Free Fire continues to perform well (#1 grossing game in key markets) and shows no sign of fading. Sea's digital payments platform and possible Singapore digital banking license offer further sources of upside. SE has built a huge base of customers and now focus turns to monetization efforts which should accelerate sustainable profitability and topline growth despite any volatility in the macro outlook. UBS started coverage 10/6 at Buy with a \$200 target seeing strong secular tailwinds in gaming and ecommerce. CLSA upgraded in August after results seeing no sign of digital adoption waning despite lockdowns lifting. Hedge Fund ownership fell 21.7% in Q2 filings, Tencent a large holder and Tiger Global with a top position. On the chart SE shares are in a strong trend near new highs, current support levels \$168 and \$150. The current upside measured move target is at \$195. SE options are pricing in a 13.7% move on earnings and 30 day IV Skew at +0.2 compares to the +1.7 52-week average. SE attracts a lot of options activity with opening put sales a popular strategy all year, while last week buyers in December \$200 calls, May \$250 calls, and September \$250 calls.

Trade to Consider: Long the **SE** November \$190/\$195 Call Spreads at \$1.65 Debit



**Wal-Mart (WMT)** will release earnings 11/17 before the open with the Street looking for \$1.18 EPS and \$132.23B in Revenues (+3.3%) and Q4 seen at \$1.42/\$145.46B. WMT shares have closed lower three of its last four reports after being higher the prior three, a 6 quarter average max move of 3.6%. The \$420B retailer that has benefitted from a strong ecommerce platform and delivery/pick-up push as well as gaining market share from smaller businesses trades 26.85X Earnings, 0.77X Sales and 23.9X FCF with a 1.43% dividend yield. WMT forecasts seen 5% revenue growth and 8.2% EPS growth in 2021, its best year since 2013 though will face difficult comps in FY22. Analysts have an average target of \$150 and short interest is low at 1% of the float. WMT recently rolled out Walmart+ that offers unlimited free delivery and other benefits. BAML out last week seeing upside citing omni-channel penetration and higher margin merchandise momentum not reflected in stocks, and sees upside to the 4% consensus for comps. Jefferies raised its target to \$170 positive on alternative data analysis and sees comps at 4.5%. Deutsche Bank raised its target to \$163, positive into earnings. Hedge Fund ownership fell 10% in Q3 filings. On the chart WMT shares closed last week strong back near September highs and current measured move target up to \$158. On weakness the \$145 and \$140 levels seen as support. WMT options are pricing in a 4% earnings move and 30 day IV Skew at +0.5 compares to the +1.2 52-week average. WMT has a large buy-write against 15,000 January \$160 calls in open interest, and in July the June 2021 \$200 calls bought 10,000X along with 7500 January \$180 calls.

Trade to Consider: Long the **WMT** January \$150/\$160/\$170 Butterfly Call Spreads at \$2.10 Debit

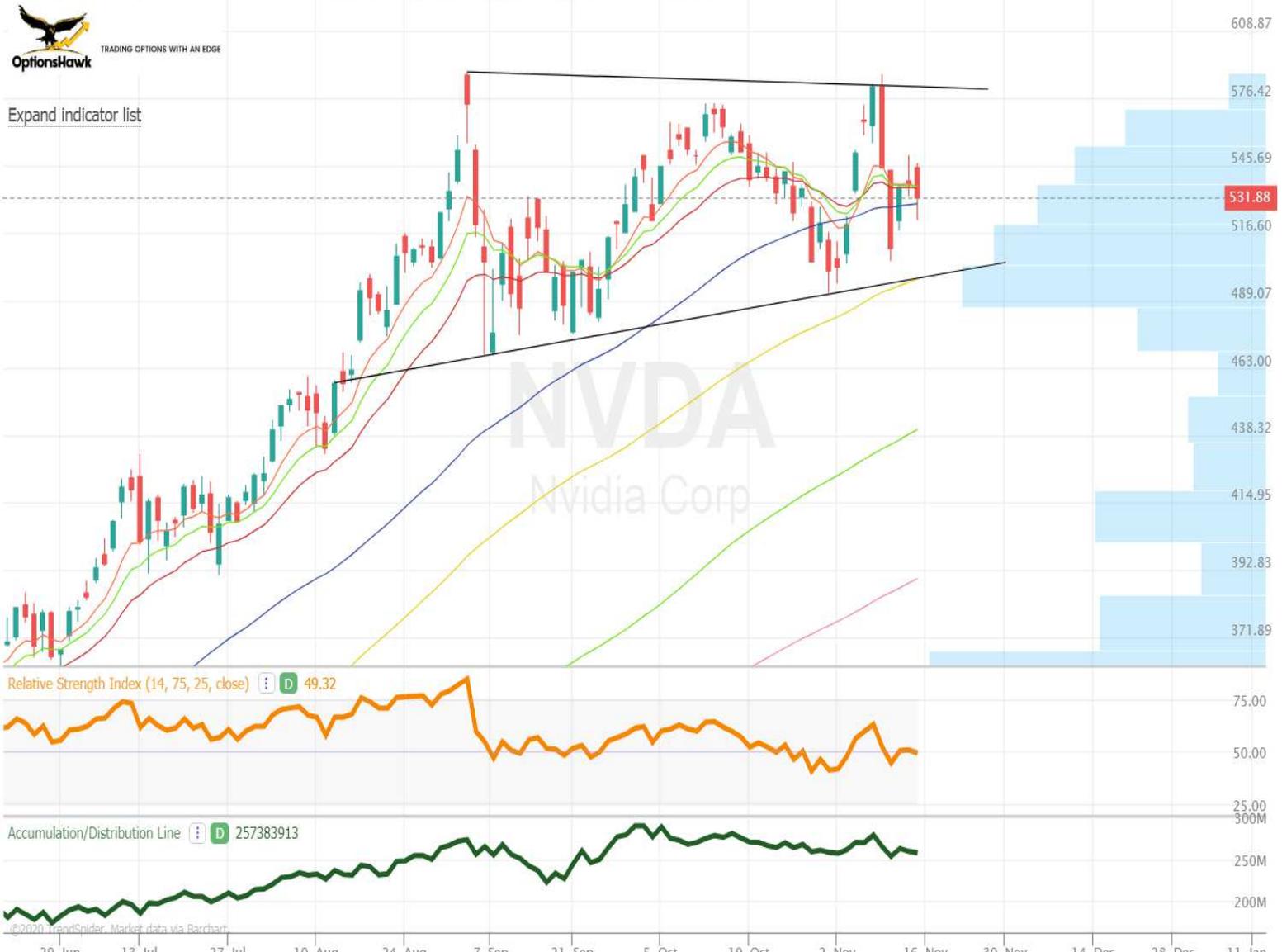
Wal-Mart Stores, Daily, Nasdaq + Cboe BZX O 148.94 H 150.94 L 147.52 C 150.54 Change +1.07% Market closed



**NVIDIA (NVDA)** will post results 11/18 after the close with the Street looking for \$2.57 EPS and \$4.41B in Revenues (+46.4%), and Q4 seen a \$2.54/\$4.42B. NVDA shares have closed higher 4 of its last 5 reports with a six quarter average max move of just 5.15%. The \$320B leader in datacenter, gaming & automotive chips trades 47.9X Earnings, 24.4X Sales and 69.9X FCF. NVDA forecasts see 2021 as a year with 45% revenue growth and 57% EPS growth. Analysts have an average target of \$575 and short interest is down 30% Q/Q to just 1.1% of the float. NVDA is trying to get a \$40B deal for Arm Holdings approved. Deutsche Bank raised its target to \$500 last week expecting a solid beat. Truist raised its target to \$623 citing its leadership in key growth areas. New Street cautious downgrading to Sell noting peaks in datacenter and gaming are likely in the next six months. UBS has a \$625 target noting NVDA is many years ahead of any competitor. BMO raised its target to \$650 on new products opening up an even larger TAM. Hedge Fund ownership declined 6.75% in the latest quarter. On the chart NVDA with a choppy chart since hitting near highs in August though remaining in a strong rising trend. Shares have solid support near \$484 while a move below can target a move back to \$420. A move above \$585 can trigger a run towards \$700. NVDA options are pricing in a 6% earnings move and 30 day IV Skew at +0.2 vs the 52-week average of +4.4. NVDA trades actively daily with size trades, the Nov. 27<sup>th</sup> (W) \$530 puts sold to open 2000X recently, the Dec. 24<sup>th</sup> (W) \$660 OTM calls bought 2000X, while January \$515 and \$510 puts as well as March \$475 puts with some recent large buys. On 10/26 the June \$700 calls bought 2500X to open.

Trade to Consider: Sell the **NVDA** November \$570/\$575 Call Spread for \$1.10 Credit (Bear Call Spread)

Nvidia Corp, Daily, Nasdaq + Cboe BZX O 545.09 H 546.75 L 522.37 C 531.88 Change -2.42% Market closed



**Workday (WDAY)** will announce earnings 11/19 after the close with the Street expecting \$0.67 EPS and \$1.09B in Revenues (+15.8%) and Q4 seen at \$0.58/\$1.1B. WDAY shares have closed higher the last three reports after being lower 8 of the previous 9, a six quarter average max move of 8.16%. The \$52.7B HCM software leader trades 12X FY21 EV/Sales and 55.65X FCF with revenues seen rising 17.6% in 2021 and 18% in 2022. Analysts have an average target near \$250 with short interest low at 4% of the float. WDAY should see a boost from the accelerated cloud adoption and has many resilient Fortune 500 companies as clients. It operates in a \$100B TAM that includes Analytics, Financials, HCM, Payroll, Planning and Projects. It also sees opportunities in International markets moving forward and estimates just 13% penetration for HCM in EMEA. WDAY is coming off an impressive quarter with improved conversion rates. Piper an interesting note 11/5 noting WDAY may have landed an Apple HCM contract after upgrading to Overweight on 10/20 with a \$275 target seeing several catalysts driving reacceleration of subscription growth next year. Jefferies raised to Buy 10/7 with a \$260 target seeing a long runway for growth and margin leverage while trading at attractive valuation to peers. Stifel on 10/2 upgraded to Buy with a \$275 target on positive HCM checks and sees market share gains and accelerating growth with easing comps the year ahead. Hedge Fund ownership rose 13.5% the last quarter in filings, Tiger Global and Sustainable Growth adding to positions. On the chart WDAY forming a nice weekly consolidation back near a 2019 high level and the rising 21-week moving average supportive. A move above \$230 can start a move up to \$280 while support levels at \$206.50 and \$192. WDAY options are pricing in a 7.1% earnings move and 30 day IV Skew at +0.5 compares to the +1.7 52-week average. WDAY recently with a buyer of 600 January 2022 \$220 calls for over \$2.5M while November \$240 calls with 5000X in OI from size buys in early October and 2000 December \$240 calls also bought. WDAY also with 4000 December \$210 calls bought in accumulation in September remain in OI.

Trade to Consider: Long the **WDAY** December \$230/\$240 Call Spreads at \$3.30 Debit



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## **Not Investment Advice or Recommendation**

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