



HD, SE, NVDA, BABA, DE

Home Depot (HD) with report earnings 8/18 before the open with the Street view at \$3.69 EPS and \$34.37B in Revenues (+11.4%), and FY21 seen at \$10.59/\$118.07B. HD shares have closed lower 8 of its last 10 reports with a six quarter average max move of 3.78%. The \$303B home improvement retailer trades 24.45X Earnings, 2.7X Sales and 49.7X FCF with a 2.15% dividend yield. HD saw strong demand through the pandemic with many shifting expense allocations from travel to home remodeling and had a strong e-commerce infrastructure in place. HD numbers are expected to be strong with improving Pro trends as restrictions eased as well as strength in housing activity. Analysts have an average target of \$276 and short interest low at 0.6% of the float. DA Davidson starting shares Neutral last week with a \$290 target noting it is among the strongest of retailers and will capitalize from supportive macro trends and changing consumer dynamics but valuation is well above historical norms. Baird raised its target to \$300 last week while Gordon Haskett upgraded to Accumulate into earnings expecting +12% compass, well ahead of the Street forecast of +8.9%. Hedge Fund ownership fell 4.8% in Q2 filings. On the chart HD shares are extended well above short term moving averages into the report with a small flag under new highs. HD has strong momentum while a pullback would target to 21 MA and retest of the recent flag breakout near the \$269.50 level. HD options are pricing in a 3% earnings move and 30 day IV Skew at +0.7 compares to the +3 52-week average. HD has a large spread in September that sold the \$220 puts 4250X and bought the \$255/\$275 ratio call spreads 4250X6250. HD has seen bullish positioning in August with most now firmly ITM while 2000 September \$260 short calls opened on 5/5.

Trade to Consider: Sell the **HD** August \$290/\$285/\$270/\$265 Iron Condor for \$2.35 Credit



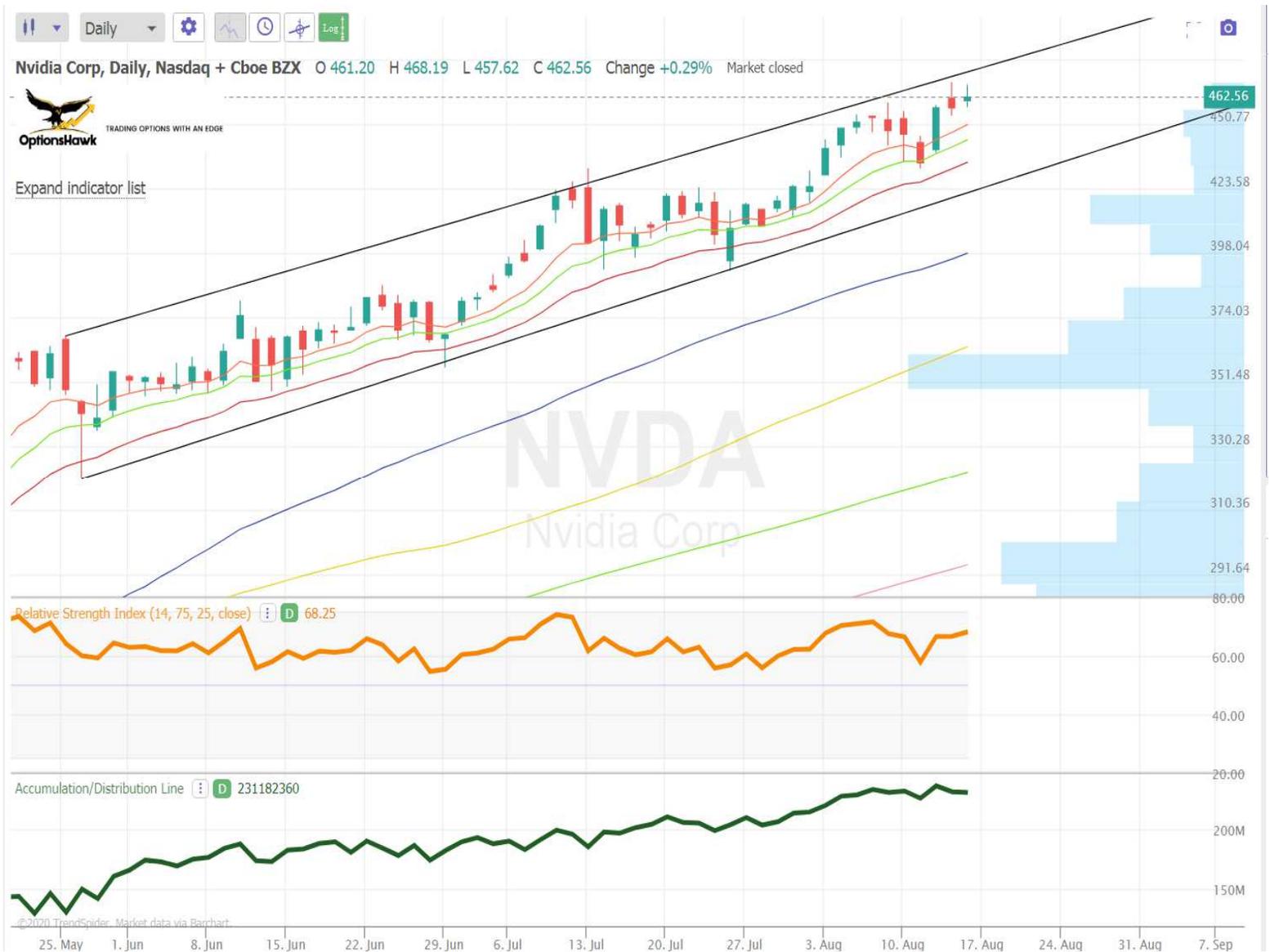
Sea Ltd. (SE) results will be released 8/18 before the open with the Street consensus at (\$0.43) EPS and \$1.06B in Revenues (+142.6%) with FY21 seen at (\$2.10)/\$4.32B. SE shares have closed higher 6 of the last 7 reports with a six quarter average max move of 19.4%. The \$59.65B fast growth company based in Asia has a wide-ranging scope with exposure to gaming, payments, and e-commerce. 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. Analysts have an average target of \$115 and short interest is 9.2% of the float. Citi with a Street high \$138 target in early July citing sped up online shopping adoption and accelerated orders and gross merchandise volume growth at Shopee while for the gaming business, the stay at home measures have attracted new and existing users that has translated to grossing improvement for Free Fire. Stephen's started shares Overweight with a \$130 target on 6/30 on very favorable demographics and strong internet penetration growth with optimism on monetization levers. Hedge Fund ownership dropped 20.55% in Q2 filings, Tiger Global maintaining its large position while Coatue Mgmt. reduced. On the chart SE shares have pulled off highs and basing along the rising 21 day MA. On weakness shares should find support in the \$107/\$111 zone, while a move above \$134 can seek new highs above \$150. SE options are pricing in an earnings move of 9.9% and 30 day IV Skew at 0 compares to the +1.7 52-week average. SE has seen mostly bullish positioning with recent buys of August \$125 calls, Sep. 4th (W) \$145 calls, Jan. 2022 \$130 calls and popular with opening put sales as well as buy-writes longer term willing to be called away \$170/\$175 strikes.

Trade to Consider: Sell the **SE** August \$120/\$115 Put Spread (Bull Put Spread) for \$1.50 Credit



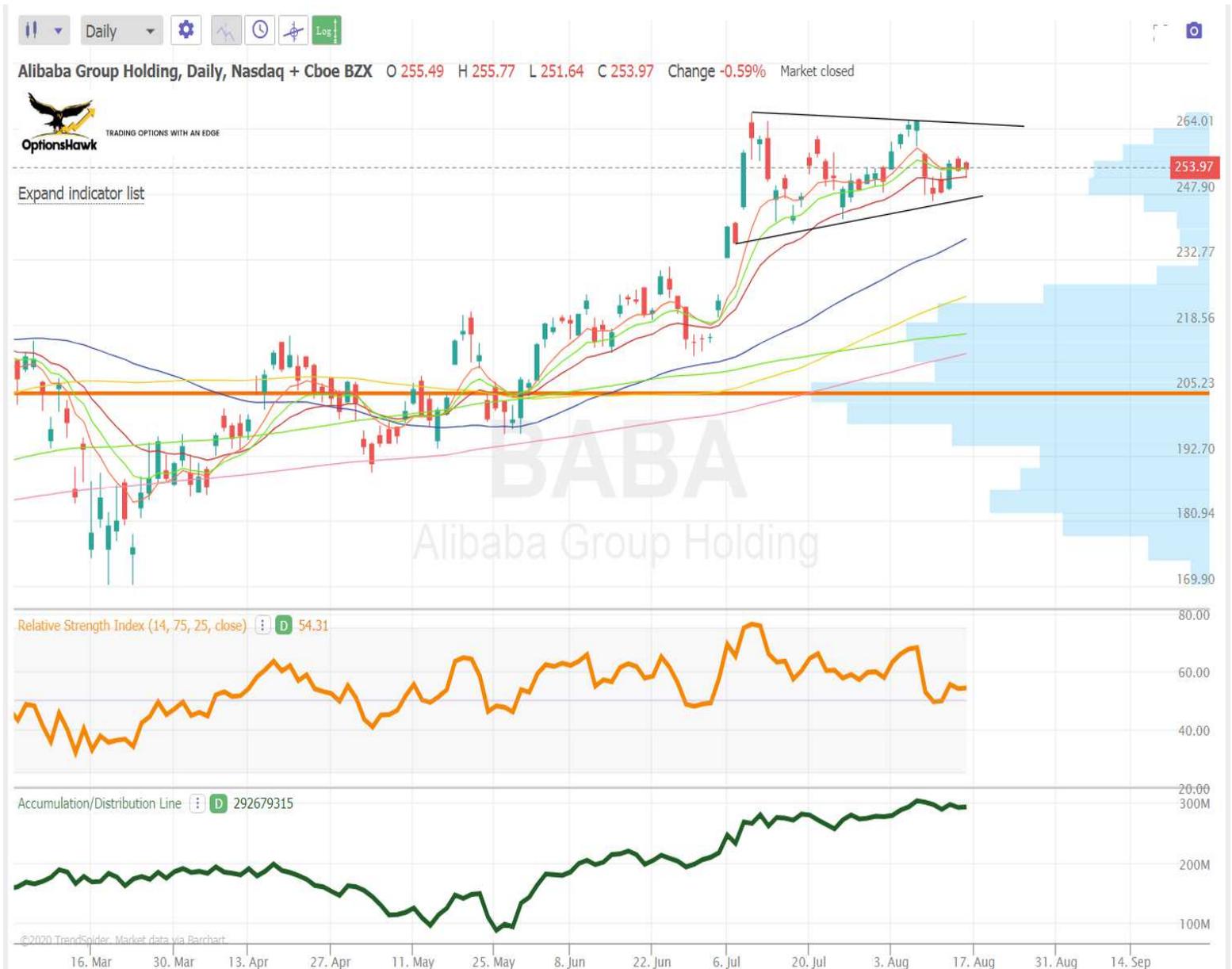
Nvidia (NVDA) will announce its earnings on 8/19 after the close with the Street expecting \$1.97 EPS and \$3.65B in Revenues (+41.6%), and FY21 seen at \$8.14/\$14.67B. NVDA shares have closed higher 3 of its last 4 reports with a six quarter average max move of 5.8%. The \$280B Semi trades 46.45X Earnings, 23.9X Sales and 70X FCF. NVDA premium valuation comes with an impressive growth history and positioned in areas of strength like data center, cloud and gaming while also recently doing a key Mallanox acquisition and reports it may look to acquire ARM Holdings. Analysts have an average target of \$420 and short interest low at 1.1% of the float. BAML raised its target to \$520 last week expecting upside to the gaming numbers. Rosenblatt raised its target to \$500 in July seeing strength in the data center segment lasting a few quarters and also likes entrance into new markets and strategic partnerships to boost revenues for multiple years. Ray-Jay raised its target to \$500 last week noting it has among the strongest product cycles in semis with the continued ramp of Ampere for datacenter and upcoming ramp of the new gaming chip that launches at the end of August. Hedge Fund ownership fell 7.76% in Q2 filings, Edgewood a top holder continued to add to its position. On the chart NVDA shares are up near new highs but also contesting with potential channel resistance. The \$422 level would be a key volume node of support on weakness while the 21 MA is near \$434. NVDA options are pricing in just under 5% earnings move and 30 day IV Skew at +0.1 compares to the +5.6 52-week average. NVDA has seen some large opening call sales recently at August \$455 and September \$480 strikes though has plenty of bullish OI now deep ITM for August and September.

Trade to Consider: Long the **NVDA** September/October \$500 Calendar Call Spreads at \$8 Debit



Alibaba (BABA) will announce results 8/20 before the open with the Street looking for \$0.24 EPS and \$20.86B in Revenues (+23.8%) with FY21 seen at \$1.09/\$95.62B. BABA shares have closed lower the last three reports after being higher the previous three, a six quarter average max move of 4.55%. The \$685B Chinese ecommerce leader trades 22.8X Earnings, 9.35X Sales and 30.55X FCF. BABA could see weakness to start the week with Trump looking at a US ban of Alibaba. BABA's core focus is ecommerce but also has exposure to adjacent industries like food delivery and cloud computing. Analysts have an average target of \$285 and short interest at 11.6% of the float has risen 30% Q/Q to near a one-year high. On 7/9 Needham started coverage at Buy with a \$275 target. Stifel raised its target to \$270 on 7/17 expecting improving fundamentals and global liquidity to support shares. Baird raised its target to \$275 on the notion of a clear recovery in Chinese consumer spending. Hedge Fund ownership fell 1.45% in Q2 filings. On the chart BABA shares forming a multi-week consolidation pattern, a move below \$247 leaves room to fall back to \$223 and fill some gaps while the 55 MA is at \$237. A move above \$267 should target new highs at \$285. BABA options are pricing in a 3.8% earnings move and 30 day IV Skew at +0.3% compares to the +3.1% 52-week average. BABA recently with buyers in December \$300 calls while November \$300 and \$280 and \$290 calls with size buys on 8/7.

Trade to Consider: Long the **BABA** August \$252.50 Straddle at \$15.50



Deere (DE) will announce results 8/21 before the open with the Street expecting \$1.17 EPS and \$6.6B in Revenues and FY21 seen at \$6.22/\$28.45B. DE shares have closed lower 4 of its last 6 reports with an average max move near 6%. The \$59B ag-equipment leader trades 22X Earnings, 8.4X FY21 EBITDA and 16.25X FCF with a 1.59% dividend yield. DE has done well over the last few years with cost cutting and increased efficiency which is likely key through this recent downturn. Analysts have an average target of \$173 and short interest is low at 1.4% of the float. On 8/13 JP Morgan cut shares to Underweight on valuation and notes resilient demand in 2020 leads to limited upside in demand for 2021. Deutsche Bank downgraded shares on 8/12 also seeing limited upside on valuation. Jefferies raised its target to \$200 on 7/17 noting its proprietary tracker showing higher pricing and tighter inventories for used farm equipment. The bull case for DE the next few years remains benefits of its lower cost structure and replacement demand driven by an aging fleet. Hedge Fund ownership rose 4.17% in Q2 filings, top concentrated holders mostly adding to positions. Goldman's options team in early August recommended being long Deere calls for earnings seeing 16% upside to EPS consensus. On the chart DE shares are trading up near new highs and a bit overbought. Shares have support in the \$177/\$181 zone on weakness while \$211 an upside target as a Fibonacci extension of the COVID correction. DE options are pricing in a 3.45% earnings move and 30 day IV Skew at +3.1 compares to the +3.8 52-week average. DE has recently seen buyers of September \$185 puts for 2800X spread with the \$165 puts.

Trade to Consider: Sell the **DE** August \$195/\$200 Call Spread (Bear Call Spread) for a \$1.95 Credit



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