



**CSCO, AMAT, BIDU**

**Cisco (CSCO)** will announce results 8/12 after the close with the Street looking for \$0.74 EPS and \$12.08B in Revenues (-10%), and Q1/ FY21 seen at \$0.76/\$12.25B and \$3.15/\$49.57B. CSCO shares closed higher last quarter on results after being lower the previous three reports, a six quarter average max move of 7%. The \$200B large cap Tech company trades 15X Earnings, 4X Sales and 22.9X FCF with a 3% dividend yield and plenty of cash, a company that has been transitioning to more software-centric sales including a focus on its Security segment. CSCO is likely to be looking at M&A opportunities to bolster its software offerings. Analysts have an average target of \$50 and short interest low at 0.8% of the float. Cleveland Research out negative last week noting checks point to a disappointing pace of recovery and expects disappointing numbers and guidance. JPM downgraded shares on 7/16 with a \$50 target citing continued headwinds in enterprise spending and uncertain Macro backdrop. On 7/9 MSCO upgraded to Overweight with a \$54 target on valuation and durable earnings growth. Hedge Fund ownership climbed 3.3% in Q1 filings. On the chart CSCO cleared a downtrend in May and consolidating since June, a move above \$48 targets a run to \$53. Shares have solid support at \$46 and \$44.85. CSCO options are pricing in a 5.1% earnings move and 30 day IV Skew at +0.3 compares to the +3.6 52-week average. CSCO saw opening sales of 5000 Aug. 28<sup>th</sup> (W) \$47.5 calls on 8/7. It also saw a buyer of 5000 June 2021 \$55 calls on 7/30 and 4000 January \$49 calls bought on 6/24. CSCO has a large trade from 6/5 in OI that bought 15,000 of the October \$50/\$60 call spreads and sold the \$37.5 puts.

Trade to Consider: Long the **CSCO** August/October \$50 Call Calendar at \$0.70 Debit



**Applied Materials (AMAT)** will announce earnings 8/13 after the close with the Street view at \$0.95 EPS and \$4.13B in Revenues (+16%) and Q4 seen at \$1.02/\$4.31B. AMAT shares have closed higher 3 of the last 5 reports with a six quarter average max move of 6.6%. The \$58B semiconductor equipment leader trades 14.75X Earnings, 3.8X Sales and 27.8X FCF with a 1.38% yield and seen strong reports from peers this quarter. SEMI and VLSI expect annual semiconductor revenues to grow to \$1 trillion by 2030. Over the past 20 years, the industry has doubled in size, and we now expect it to double again but twice as fast. Analysts have an average target of \$70 and short interest low at 1.9% of the float. Mizuho raised its target to \$70 last week seeing stronger memory and logic wafer fab capex trends in 2H20 and 1H21 and expects improving order trends. Deutsche Bank raised its target to \$70 in June noting the market is willing to look past near-term demand short-falls and look to the 2021 recovery. Hedge Fund ownership rose 2.85% in Q1 filings, Matrix Capital, Generation, and Lansdowne Partners notable concentrated holders. On the chart AMAT shares are flagging under recent highs \$65.60 which align closed to highs earlier this year, though showing notable bearish weekly RSI divergence. Shares have support levels \$62.50 and \$60.50. AMAT options are pricing in a 3.45% earnings move and 30 day IV Skew at +2.7 compares to the +3.4 52-week average. AMAT recently with a buyer of 5000 October \$70 calls to open and an opening sale 4500 Jan. 2022 \$52.5 puts. AMAT has seen a lot of January 2021 opening put sales and October a focal point of call buying.

Trade to Consider: Sell the **AMAT** August \$65/\$62 Strangle for a \$3.40 Credit



**Baidu (BIDU)** will report results 8/13 after the close with the Street consensus at \$9.81 EPS and \$25.83B in Revenues (-5.8%). BIDU shares have closed higher its last four reports and a six-quarter average max move of 10.2%. The \$43.3B Chinese internet company trades 14.75X Earnings, and 2.85X Sales. BIDU saw some declines in the core business in Q1 but noted improving trends through the quarter and AI businesses fared well during the first quarter. Cloud, DuerOS and Apollo all saw healthy business growth in Q1. Analysts have an average target of \$145 and short interest is low at 1.9% of the float. Mizuho out with a note 7/28 cautious on its video streaming numbers. KeyBanc raised its target to \$145 in May noting higher user engagement could result in better monetization with key catalysts for BIDU being margin expansion, AI ramps and growth reacceleration in the core online marketing business. Hedge Fund ownership rose modestly in Q1 filings, Causeway Capital with a 10.8% weighting. On the chart BIDU shares setting up with a nice base along the 200 day MA and the 55 MA crossed bullish in July. There is a large volume pocket giving shares potential to rally back to the \$155-165 range. Shares have support at \$115 and \$107.50 levels. BIDU options are pricing in a 6% earnings move and 30 day IV Skew at 0 compares to the 52-week average of +1.4. BIDU has 4500 of the Aug. 14<sup>th</sup> (W) \$130 calls in OI from an 8/4 buyer, and has over 7000 September \$125 calls in OI from large buys in April.

Trade to Consider: Long the **BIDU** September \$125/\$140 Call Spreads at \$4.75 Debit



## **Disclaimer:**

These trade ideas are to be self-managed as there will be no follow-up, and each user must take full responsibility of the trade, and only take action on trades that fit his/her risk profile and are comfortable trading.

## **Not Investment Advice or Recommendation**

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