



NKE, COST

Nike (NKE) will report earnings 9/22 after the close with the Street looking for \$0.46 EPS and \$9.12B in Revenues (-14.4%) and Q2/FY21 seen at \$0.56/\$9.95B and \$2.42/\$39.6B. NKE shares have closed higher 6 of the last 10 reports, a six quarter average max move of 6.63%. The \$175B global footwear and apparel leader trades 34.4X Earnings, 4.65X Sales and 33.5X EBITDA. NKE shares are +13.2% YTD and have navigated the pandemic better than most peers after years of investment into technology and a thriving DTC business. Analysts have an average target of \$122.50 and short interest is minimal at 1% of the float. TAG raised its target to \$135 last week from \$110 noting the company has been clearing inventories and read-through from Dick's, Finish Line, Hibbett, and Foot Locker have been strong. Pivotal raised its target to \$137 last week positive on it taking market share and the Jordan brand strength. SIG raised its target as well noting premium valuation warranted due to 1) enhancements to and acceleration of its industry-leading digital position via the Consumer Direct Acceleration strategy; 2) ongoing acceleration of DTC revenue growth and penetration; and 3) material cost savings resulting from restructuring and headcount reduction across the workforce to better align with the company's digital future. Piper raised its target to \$130 citing signs of robust brand strength including strength in China. MSCO raised its target to \$142 noting its business model, addressable market and margin profile all look better positioned post-COVID-19. Hedge Fund ownership was flat in Q2 filings, top holders include Edgewood, Fundsmith, Polen, Winslow, and Sustainable Growth. On the chart NKE hit new all-time highs last week before pulling back and sit just above the 21 MA into the week. NKE did not quite reach its 138.2% Fibonacci extension of the COVID correction at \$123.25. Shares should have strong support in the \$110/\$112 zone followed by a re-test of the key \$103 breakout while the 55 MA is at \$105. NKE options are pricing in a 6.75% move on earnings and 30 day IV Skew at +2.2 compares to the +3 52-week average. NKE has seen almost entirely bullish positioning since late June with a lot of positioning in October calls and short October puts while April \$105 puts and January 2022 \$110 puts with recent opening sales as well.

Trade to Consider: Sell the **NKE** October \$125/\$130 Call Spread and \$110/\$105 Put Spread for Net \$2.15 Credit (Iron Condor)



Costco (COST) will announce results 9/24 after the close with the Street consensus at \$2.82 EPS and \$52B in Revenues (+9.5%) and Q1/FY21 seen at \$1.90/\$39.76B and \$9.42/\$175.92B. COST shares have closed lower the last three reports and 8 of the last 10, a six quarter average max move of 3.36%. The \$148.5B bulk retailer trades 35.7X Earnings, 0.92X Sales and 53X FCF with a 0.83% yield, a name that has long traded at a premium valuation with its history of strong comps and cash generating loyal membership fees. Analysts have an average target of \$350 and short interest has dropped 38% Q/Q to just 0.7% of the float. COST's August comps were +14.3%, ahead of the +12.9% consensus. On 9/3 TAG raised its target to \$385 noting it will continue to gain market share, post solid sales, high membership renewals and square footage growth. JPM raised its target to \$405 increasing estimates and RBC to \$400 noting strong demand and acceleration in ecommerce. OpCo also up to a \$400 target and expects a special dividend in 2021. Hedge Fund ownership fell 6% in Q2 filings. On the chart COST shares have pulled back after an ugly bear engulfing candle after hitting a record high in early September. Shares nearly retested the flag breakout from early August and rebounded to close above the rising 55 MA with a hammer. Shares have even greater support on a retest of \$310 while the 200 MA sits near \$311.55. COST options are pricing in a 3.65% earnings move and 30 day IV Skew at -0.3 is bullish inverted and compares to the +2.3 52-week average. COST has seen more mixed near-term flows but in July 2021 the \$360/\$390 call spread has opened 1500X recently.

Trade to Consider: Long the **COST** October \$335/\$350/\$360 Unbalanced Butterfly Call Spread at \$3.40 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.

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