



Put Sale in Arena Pharma Sees Limited Downside Following Pullback

Ticker/Price: ARNA (\$49.20)

Analysis:

Arena Pharma (ARNA) IV diving with 2500 January \$49 puts sold to open \$4.60 with shares near \$49, seeing limited downside. ARNA shares recently put in a bottom at YTD VPOC and multi-year trend support and this week working above its 21 day moving average and out of the pullback trend that started when shares peaked in August near \$64.50, the recent bottom also at a 61.8% Fibonacci of the Q4 2018 low to 2019 high. ARNA has some call open interest from buys with 1100 of the January \$50 and 2190 of the January \$65. The \$2.4B Biotech trades 2.4X cash. Analysts have an average target of \$70 on shares and short interest at 6.2% of the float has been moving lower since May. ARNA will next report on 11/7 and on 11/11 presents at the CSFB Health Conference, and later this week presents at the United European Gastroenterology Week. CSFB raised its target to \$77 in April and notes that Etrasimod may be the best agent to the market for IBD. ARNA presented Phase 2 data in late September. It has initiated Phase 3 ELEVATE UC 52 for Ulcerative Colitis and Phase 2 CAPTIVATE trial for IBS abdominal pain. Hedge Fund ownership fell 10.2% in Q2 filings, Partner Fund with a 2% position. ARNA is not expecting key data until late 2020 and early 2021.

Hawk Vision:



Hawk's Perspective: ARNA seems fairly de-risked with most of its key data late next year and into 2021, so after holding an important support level, like the reward/risk here.

Confidence Ranking: \$\$