

SPOTLIGHT OPTION TRADE



Costco the Retailer to Own in Slower Environments

TRADE SNAPSHOT

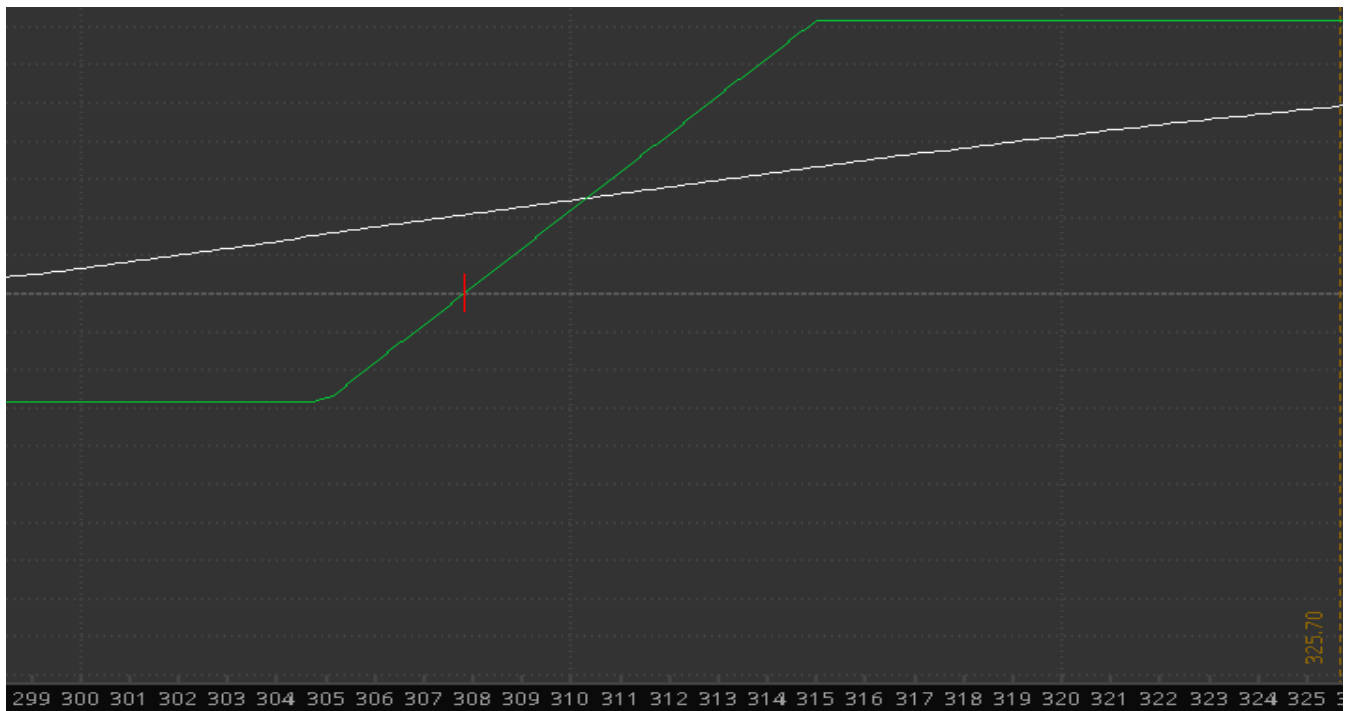
TICKER	COST
SECURITY	Costco Wholesale Corp.
SECTOR	Consumer Services – Discount Stores
CURRENT PRICE	\$296
LONG/SHORT	Long
TARGET	\$315
STOP	\$287
TIMEFRAME	6 Weeks

Trading Strategy: Long the COST December \$305/\$315 Call Spreads \$2.85 Debit

Net Debit/Credit: Debit \$2.85

Profitability Zone: COST Shares Above \$307.85 on Dec. OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: COST with a very strong weekly trend riding the 8 week EMA higher most of 2019 and setting up again with a cup and handle pattern under its recent highs.



Fundamental Analysis: The \$130.6B bulk retailer and grocer trades 31.85X Earnings, 0.86X Sales and 56.3X FCF with a 0.88% dividend yield, premium valuation for a best-in-class name. COST is expected to grow revenues 7.1% in FY20 after 7-10% annual growth each of the last three years. Analysts have an average target of \$300 on shares and short interest low at 1.3% of the float. BMO raised its target to \$320 on 10/4 citing all core metrics remain strong and there is a substantial growth runway domestically and internationally. RBC raised its target to \$329 noting it provides some of the best traffic/sales growth while being a scarcity value due to the unique treasure-hunt model and high margin membership model. COST has seen some recent downgrades on “valuation” though no expectations for its business to weaken. Hedge Fund ownership fell 9.74% in Q2 filings.

Options Activity:

Date	Description	Volume	Open.Int	Price	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
11/1/2019	COST 100 (Weeklys) 8 NOV 19 295 CALL	1,057	547	\$3.55	0.566	16.91%	55.58%	\$375,235	.COST191108C295
10/28/2019	COST 100 20 DEC 19 295 CALL	308	132	\$10.40	0.55	20.47%	52.23%	\$323,400	.COST191220C295
10/23/2019	COST 100 (Weeklys) 29 NOV 19 300 CALL	2,402	687	\$5.86	0.48	16.54%	46.30%	\$1,429,190	.COST191129C300
10/23/2019	COST 100 (Weeklys) 29 NOV 19 310 CALL	2,377	545	\$2.11	0.24	15.53%	22.67%	\$508,678	.COST191129C310
10/21/2019	COST 100 (Weeklys) 29 NOV 19 300 CALL	574	90	\$7.29	0.544	16.58%	52.22%	\$418,446	.COST191129C300
10/21/2019	COST 100 (Weeklys) 29 NOV 19 310 CALL	450	61	\$2.89	0.301	15.62%	28.37%	\$130,050	.COST191129C310
10/17/2019	COST 100 17 APR 20 300 CALL	370	483	\$19.50	0.55	21.85%	49.39%	\$745,550	.COST200417C300
10/4/2019	COST 100 15 NOV 19 310 CALL	1,540	750	\$1.63	0.176	18.14%	16.01%	\$251,020	.COST191115C310
10/4/2019	COST 100 15 NOV 19 270 PUT	1,358	757	\$1.83	-0.149	22.82%	16.86%	\$248,514	.COST191115P270
10/4/2019	COST 100 15 NOV 19 260 PUT	1,308	977	\$0.91	-0.079	24.63%	9.18%	\$119,028	.COST191115P260
10/4/2019	COST 100 15 NOV 19 320 CALL	1,225	382	\$0.56	0.074	18.13%	6.62%	\$68,600	.COST191115C320
9/27/2019	COST 100 17 APR 20 250 PUT	1,000	53	\$7.30	-0.214	27.08%	27.81%	\$730,000	.COST200417P250
9/26/2019	COST 100 17 APR 20 240 PUT	1,032	30	\$5.30	-0.16	27.66%	21.08%	\$567,600	.COST200417P240

Potential Catalysts: Monthly Sales Early December; Earnings Expected Around 12-12-19

Disclaimer:**Not Investment Advice or Recommendation**

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