

SPOTLIGHT OPTION TRADE



Cisco an Evolving Software Story with 5G Upside in 2020 at Less than Market Valuation

TRADE SNAPSHOT

TICKER	CSCO
SECURITY	Cisco Systems
SECTOR	Tech – Communication Equipment
CURRENT PRICE	\$56.19
LONG/SHORT	Long
TARGET	\$62
STOP	\$53.50
TIMEFRAME	

Trading Strategy: Long the CSCO August \$57.50 Calls at \$1.20 or Better

Net Debit/Credit: Debit \$1.20

Profitability Zone: CSCO Shares Above \$58.70 on Aug. OpEx

Greeks: Delta 41; Vega 7; Gamma 9; Theta -2

Options Volatility / Trade Simulator View:





Technical Analysis: CSCO shares are consolidating above key rising weekly moving averages and on the daily chart showing a W-pattern with a handle, a pattern measuring to \$62-\$65 on a breakout. Weekly RSI has pulled back and successfully held the 50 level and MACD looks to cross back bullish.



Fundamental Analysis: The \$245B Tech company trades 16.5X Earnings, 4.4X EV/Sales, and 27X FCF with a 2.5% dividend yield. CSCO is expecting to finish 2019 with a 5% revenue growth year, its best since 2013 and EPS growth the best since 2010 at 18%. It is seeing strong momentum from its new Catalyst 9000 as the most comprehensive enterprise networking portfolio refresh in its history, and enabled by a software subscription model with partnerships including Amazon Web Services, Google Cloud and Azure. CSCO's Security portfolio is becoming a meaningful contributor and its acquisitions of Duo is boosting growth. It also is seeing success from its acquiring of AppDynamics in the application intelligence platform segment. Analysts have an average target of \$58.75 on shares while short interest is low at 1.2% of the float, it is moving towards the high-end of the five-year range. Cowen out positive on 6/25 keeping Cisco as a Best Idea citing improving comps, the shift to recurring revenues, and increasing strategic significance of the network, a \$65 target on shares. William Blair downgraded shares 6/12 seeing growth pressures in 2020 as one-time tailwinds like ASC 606 and tariff-driven price hikes will expire. JP Morgan noted on 5/30 Cisco is a safe-haven during the Trade War as it has little China exposure and can benefit from the Huawei ban. Hedge Fund ownership fell 5.27% in Q1 filings, Boston Partners added to its stake with CSCO its top position.

Options Activity:

Date	Description	Volume	Open.Int	Price	%Change	Delta	Impl Vol	Prob.ITM	Premium Paic	Symbol
7/2/2019	CSCO 100 20 SEP 19 55 CALL	2,673	6,835	\$2.51	17.84%	0.56	21.77%	51.77%	\$678,942	.CSCO190920C55
7/1/2019	CSCO 100 19 JUL 19 54.5 CALL	2,680	118	\$0.75	-34.21%	0.49	16.18%	47.20%	\$203,680	.CSCO190719C54
6/28/2019	CSCO 100 16 AUG 19 50 CALL	1,028	957	\$5.20	-14.05%	0.855	23.87%	83.87%	\$534,560	.CSCO190816C50
6/20/2019	CSCO 100 16 AUG 19 57.5 PUT	1,120	527	\$2.45	-17.23%	-0.52	24.13%	55.59%	\$274,400	.CSCO190816P57
6/3/2019	CSCO 100 16 AUG 19 55 CALL	2,418	3,976	\$1.28	6.67%	0.35	24.15%	31.42%	\$314,340	.CSCO190816C55
5/22/2019	CSCO 100 19 JUL 19 55 CALL	5,155	9,912	\$2.30	-14.50%	0.59	20.37%	55.75%	\$1,170,185	.CSCO190719C55
5/22/2019	CSCO 100 19 JUL 19 55 PUT	5,219	2,989	\$1.43	12.60%	-0.41	20.82%	44.36%	\$761,974	.CSCO190719P55
5/17/2019	CSCO 100 19 JUN 20 60 CALL	1,028	977	\$3.74	3.89%	0.43	22.36%	34.80%	\$385,500	.CSCO200619C60
5/17/2019	CSCO 100 19 JUN 20 50 PUT	1,000	1,316	\$2.86	-2.39%	-0.27	24.89%	36.80%	\$284,000	.CSCO200619P50
5/14/2019	CSCO 100 19 JUL 19 52.5 CALL	1,069	563	\$2.08	13.04%	0.5	25.02%	46.05%	\$226,628	.CSCO190719C52
5/9/2019	CSCO 100 19 JUL 19 57.5 CALL	12,069	2,920	\$0.63	-26.74%	0.21	24.41%	18.05%	\$760,347	.CSCO190719C57
5/9/2019	CSCO 100 17 JAN 20 62.5 CALL	2,745	367	\$1.00	-17.36%	0.2	21.94%	15.52%	\$274,500	.CSCO200117C62
5/8/2019	CSCO 100 17 JAN 20 60 CALL	6,350	18,507	\$1.75	3.55%	0.31	22.70%	24.93%	\$1,111,250	.CSCO200117C60
5/8/2019	CSCO 100 15 JAN 21 60 CALL	2,426	8,699	\$3.97	5.87%	0.4	24.00%	30.02%	\$1,031,050	.CSCO210115C60
5/6/2019	CSCO 100 17 JAN 20 52.5 PUT	1,273	252	\$3.30	8.20%	-0.39	23.36%	47.02%	\$420,090	.CSCO200117P52
4/22/2019	CSCO 100 17 JAN 20 62.5 PUT	1,015	0	\$7.60	N/A	-0.69	19.61%	75.45%	\$771,400	.CSCO200117P62
4/9/2019	CSCO 100 15 JAN 21 50 PUT	1,900	1,140	\$4.33	-0.46%	-0.31	24.21%	44.86%	\$845,500	.CSCO210115P50
4/3/2019	CSCO 100 20 SEP 19 55 PUT	4,054	982	\$2.94	-5.16%	-0.44	21.21%	50.11%	\$1,191,876	.CSCO190920P55
4/3/2019	CSCO 100 20 SEP 19 65 CALL	4,160	175	\$0.36	9.09%	0.11	18.24%	9.25%	\$158,080	.CSCO190920C65
3/26/2019	CSCO 100 18 OCT 19 42 PUT	2,538	370	\$0.60	-16.67%	-0.11	27.70%	15.03%	\$152,280	.CSCO191018P42
3/25/2019	CSCO 100 15 JAN 21 45 PUT	2,500	2,131	\$3.65	18.51%	-0.26	25.15%	39.10%	\$912,500	.CSCO210115P45
3/25/2019	CSCO 100 19 JUL 19 55 CALL	2,093	5,346	\$1.27	-9.93%	0.35	19.40%	31.12%	\$272,090	.CSCO190719C55
3/20/2019	CSCO 100 19 JUN 20 45 PUT	2,000	13	\$2.32	2.65%	-0.23	24.89%	32.84%	\$464,000	.CSCO200619P45
3/18/2019	CSCO 100 18 OCT 19 48 PUT	3,039	1,157	\$1.51	-19.68%	-0.24	23.23%	30.56%	\$458,889	.CSCO191018P48
3/4/2019	CSCO 100 17 JAN 20 50 PUT	4,278	3,408	\$3.85	6.94%	-0.42	22.67%	51.51%	\$1,647,030	.CSCO200117P50

Potential Catalysts: Earnings 8-14-19; Flash Memory Summit 2019 on 8-6-19

Disclaimer:**Not Investment Advice or Recommendation**

Any descriptions "to buy", "to sell", "long", "short" or any other trade related terminology should not be seen as a recommendation. The Author may or may not take positions in any of the names mentioned, and is not obligated to disclose positions, nor position sizes.

Content is for informational and educational purposes only. You alone will need to evaluate the merits and risks associated with the use of this content. Decisions based on information provided are your sole responsibility, and before making any decision on the basis of this information, you should consider (with or without the assistance of a financial and/or securities adviser) whether the information is appropriate in light of your particular investment needs, objectives and financial circumstances. Investors should seek financial advice regarding the suitability of investing in any securities or following any investment strategies.

No reference to any specific security constitutes a recommendation to buy, sell or hold that security or any other security. Nothing constitutes investment advice or offers any opinion with respect to the suitability of any security, and the views expressed on this website should not be taken as advice to buy, sell or hold any security. In preparing the information contained in this website, we have not taken into account the investment needs, objectives and financial circumstances of any particular investor. This information has no regard to the specific investment objectives, financial situation and particular needs of any specific recipient of this information and investments discussed may not be suitable for all investors.