

SPOTLIGHT OPTION TRADE



Home Depot Attractive into Recent Pullback, Remodel Theme Strong

TRADE SNAPSHOT

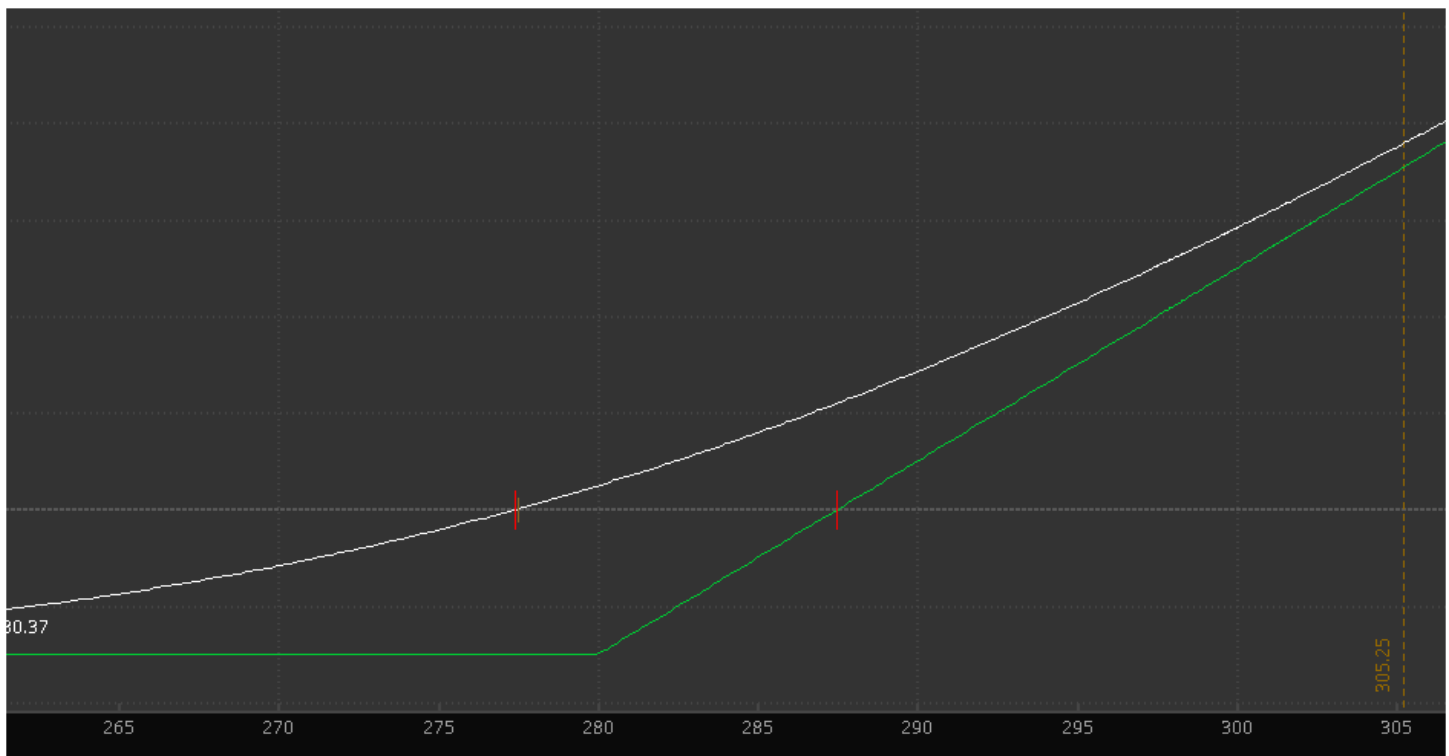
| | |
|---------------|--------------------------------------|
| TICKER | HD |
| SECURITY | Home Depot |
| SECTOR | Consumer – Retail – Specialty Retail |
| CURRENT PRICE | \$277.40 |
| LONG/SHORT | Long |
| TARGET | \$310 |
| STOP | \$265 |
| TIMEFRAME | 2 Months |

Trading Strategy: Long **HD** January \$280 Calls at \$7.50 or Better

Net Debit/Credit: Debit \$7.50

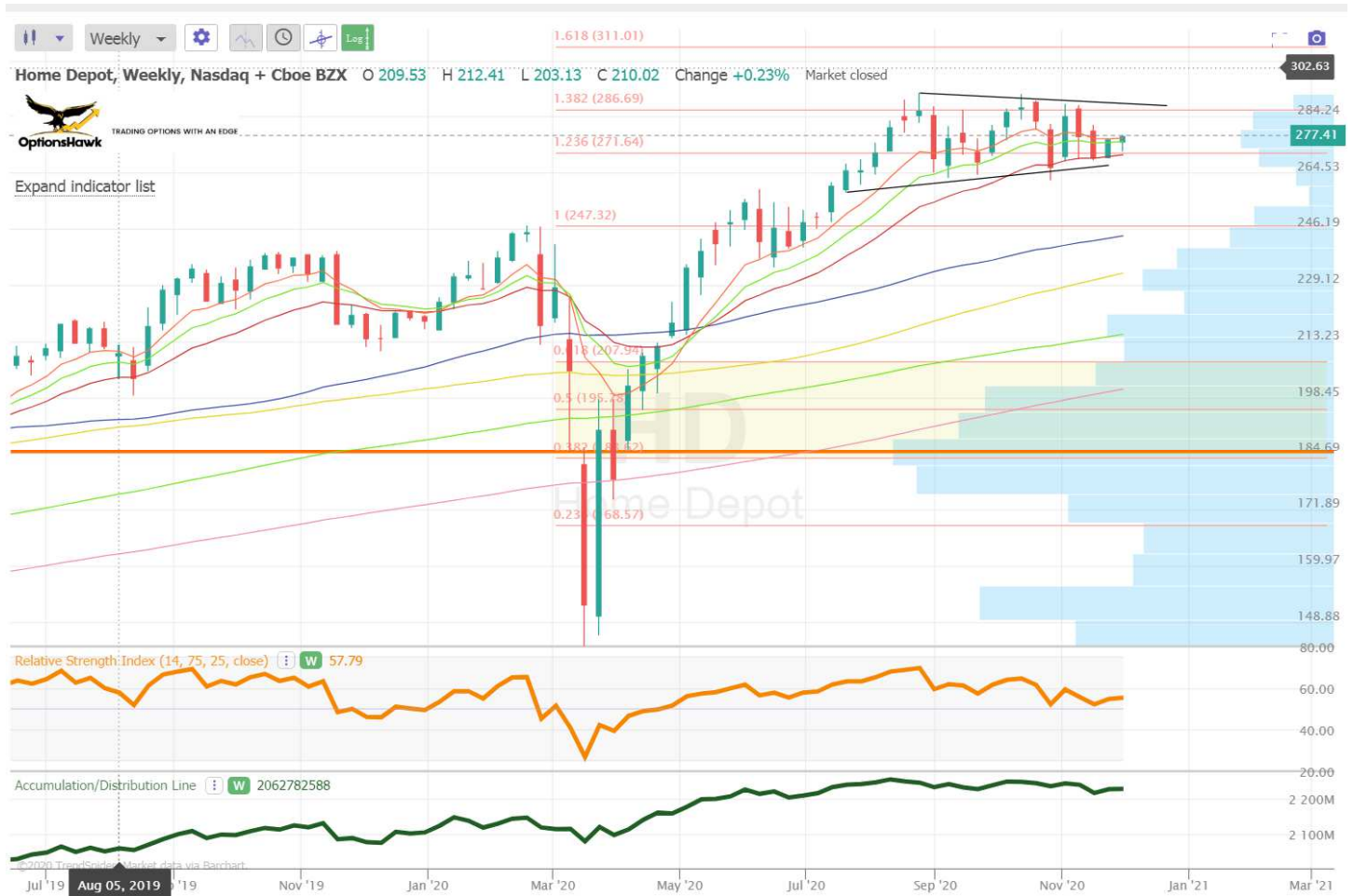
Profitability Zone: HD Shares Above \$287.50 on January OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: HD shares forming a tight symmetrical triangle on the weekly while the rising 21-week moving average acts as support, a coiled look for a market leader and faded from a 138.2% Fibonacci extension with the next target at 161.8% at \$311.



Fundamental Analysis: The \$296.5B home improvement retailer trades 22.5X Earnings, 2.35X Sales and 25X FCF with a 2.16% dividend yield. HD revenues are seen rising 17.8% in 2021 (1 quarter remaining this FY) and then facing tough comps in 2022 though Q1 still seen as an 11.7% Y/Y growth quarter. HD continues to be an impressive comp growth story and will likely see further benefits from people spending more time at home, while renovation/remodel is closely tied to strong home sales and home prices, a very strong backdrop currently. HD also has benefitted from its investments into Technology with ecommerce showing robust growth. HD announced a deal for HD Supply Holdings in mid-November. HD sets itself apart with the focus on its Pro do-it-for-me model. HD sees the deal for HD Supply accelerating its growth in the \$55B MRO marketplace. I expect HD to see a strong Holiday season as consumers continue to invest into their homes and in Q3 big ticket comps were +23%. Analysts have an average target of \$305 and short interest low at 0.5% of the float. Baird on 11/18 reiterated Outperform with a \$315 target noting the company is firing on all cylinders and risk/rewards remains favorable. TAG raised to outperform on 11/16 citing strong business trends and the deal for HDS a positive. Hedge Fund ownership fell just over 2% in Q3 filings.

Options Activity:

| Date | Description | Volume | Open.Int | Price | Delt | Impl Vo | Prob.ITM | Premium Paid | Symbol | Current Price | Current OI | Price Change | OI Differential |
|------------|---------------------------|--------|----------|---------|--------|---------|----------|--------------|---------------|---------------|------------|--------------|-----------------|
| 11/23/2020 | HD 100 15 JAN 21 270 PUT | 1,023 | 1,530 | \$9.75 | -0.48 | 24.37% | 51.74% | \$997,425 | .HD210115P270 | \$7.47 | 2163 | -23.38% | -15.28% |
| 11/16/2020 | HD 100 19 FEB 21 280 CALL | 1,022 | 380 | \$14.59 | 0.51 | 27.24% | 45.27% | \$1,491,098 | .HD210219C280 | \$9.85 | 1457 | -32.49% | 3.92% |
| 11/16/2020 | HD 100 18 DEC 20 280 CALL | 1,155 | 721 | \$7.90 | 0.5 | 25.43% | 46.84% | \$912,450 | .HD201218C280 | \$3.15 | 1828 | -60.13% | -2.56% |
| 11/16/2020 | HD 100 18 DEC 20 260 PUT | 1,563 | 902 | \$2.78 | -0.2 | 29.06% | 22.10% | \$434,514 | .HD201218P260 | \$1.55 | 3621 | -44.24% | 46.90% |
| 11/13/2020 | HD 100 19 FEB 21 280 PUT | 400 | 278 | \$17.66 | -0.514 | 26.07% | 57.11% | \$706,400 | .HD210219P280 | \$15.53 | 572 | -12.06% | -15.63% |
| 11/13/2020 | HD 100 19 FEB 21 275 PUT | 400 | 278 | \$14.97 | -0.461 | 27.03% | 51.98% | \$598,800 | .HD210219P275 | \$12.60 | 520 | -15.83% | -23.30% |
| 10/8/2020 | HD 100 15 JAN 21 330 CALL | 4,324 | 1,116 | \$2.74 | 0.14 | 26.98% | 11.53% | \$1,184,776 | .HD210115C330 | \$0.22 | 5847 | -91.97% | 7.48% |
| 10/8/2020 | HD 100 15 JAN 21 300 CALL | 4,340 | 3,390 | \$9.07 | 0.36 | 28.15% | 30.58% | \$3,936,380 | .HD210115C300 | \$1.72 | 9730 | -81.04% | 25.87% |
| 10/8/2020 | HD 100 15 JAN 21 250 PUT | 4,322 | 660 | \$6.69 | -0.22 | 32.79% | 27.29% | \$2,891,418 | .HD210115P250 | \$2.46 | 5926 | -63.23% | 18.95% |
| 8/24/2020 | HD 100 18 JUN 21 245 CALL | 412 | 21 | \$50.40 | 0.74 | 31.09% | 63.26% | \$2,076,480 | .HD210618C245 | \$38.25 | 453 | -24.11% | 4.62% |
| 8/24/2020 | HD 100 15 JAN 21 290 CALL | 1,035 | 1,295 | \$16.12 | 0.48 | 26.80% | 41.25% | \$1,668,420 | .HD210115C290 | \$3.60 | 3710 | -77.67% | 59.23% |
| 8/20/2020 | HD 100 15 JAN 21 320 CALL | 2,115 | 565 | \$5.47 | 0.22 | 25.56% | 17.94% | \$1,156,905 | .HD210115C320 | \$0.38 | 3100 | -93.05% | 15.67% |
| 8/11/2020 | HD 100 15 JAN 21 300 CALL | 1,056 | 2,047 | \$9.95 | 0.34 | 26.69% | 27.72% | \$1,066,560 | .HD210115C300 | \$1.72 | 9730 | -82.71% | 213.57% |
| 5/19/2020 | HD 100 21 JAN 22 240 PUT | 611 | 23 | \$40.95 | -0.44 | 30.15% | 61.57% | \$2,593,695 | .HD220121P240 | \$17.25 | 688 | -57.88% | 8.52% |
| 11/27/2019 | HD 100 21 JAN 22 195 PUT | 600 | 20 | \$18.20 | -0.3 | 23.46% | 44.45% | \$1,197,000 | .HD220121P195 | \$6.55 | 1042 | -64.01% | 68.06% |
| 11/15/2019 | HD 100 15 JAN 21 235 CALL | 507 | 398 | \$22.37 | 0.542 | 22.20% | 45.29% | \$1,134,159 | .HD210115C235 | \$37.17 | 1,162 | 66.16% | 28.40% |
| 12/12/2018 | HD 100 15 JAN 21 120 CALL | 335 | 8 | \$60.24 | 0.81 | 34.74% | 68.61% | \$2,018,040 | .HD210115C120 | \$155.10 | 216 | 157.47% | -37.03% |

Potential Catalysts: No Events Scheduled

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.

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