

SPOTLIGHT OPTION TRADE



Johnson & Johnson Upside Calls Cheap on 200 MA Test, Defensive Name, Potential COVID-19 Vaccine Race Winner

TRADE SNAPSHOT

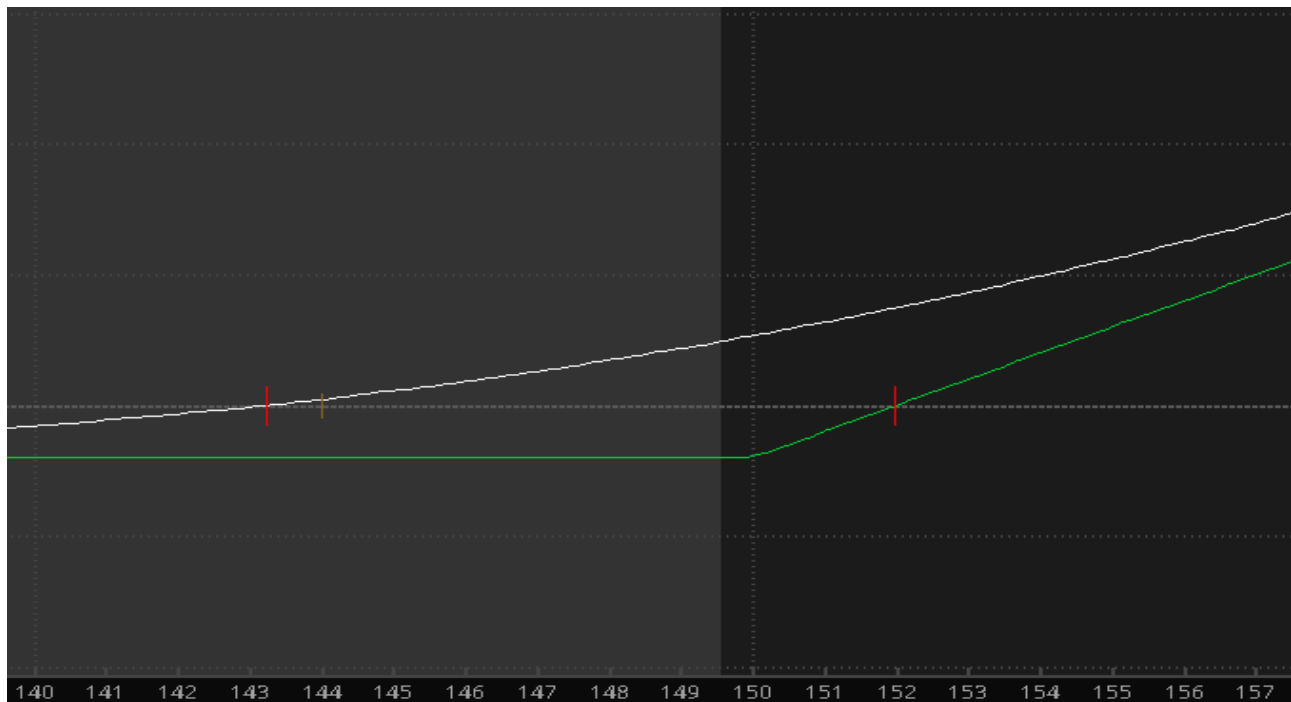
TICKER	JNJ
SECURITY	Johnson & Johnson
SECTOR	Healthcare – Pharma and Medical Devices
CURRENT PRICE	\$144
LONG/SHORT	Long
TARGET	\$155
STOP	\$138
TIMEFRAME	1 Month

Trading Strategy: Long the JNJ July \$150 Calls at \$2

Net Debit/Credit: Debit \$2

Profitability Zone: JNJ Above \$152 on July OpEx

Options Volatility / Trade Simulator View:





Technical Analysis: JNJ shares have pulled back off highs in orderly fashion and put in a nice reversal candle on its rising 200 day MA last week, running into some overhead supply on the bounce, but above \$150 can really make a strong bull wedge breakout move to new highs.



Fundamental Analysis: The \$376B large cap Healthcare Company trades 15.9X Earnings and 4.55X Sales with a 2.8% dividend yield. JNJ is a more defensive name that should work if the market starts to cool this Summer and a combination of businesses. JNJ has seen a surge in consumer health sales with leading brands such as Tylenol, Motrin, Zyrtec, Pepcid, and Listerine. It also has a very strong Pharma business that has made some key acquisitions. The Medical Device business was hurt by COVID-19 related shutdowns but should rebound nicely into the 2H. JNJ is also working on a vaccine with human trials set to begin in July with a goal of 1 billion doses through 2021. Analysts have an average target of \$164 and short interest down 20% Q/Q to a very low 0.5% of the float. BAML upgraded to Buy with a \$175 target in April noting JNJ historical outperformance in recessionary environments. Barclays upped its target in late April to \$182. Hedge Fund ownership rose 1.95% in Q1 filings.

Options Activity:

Date	Description	Volume	Open Int	Price	Delta	Impl Vol	Prob. ITM	Premium Paic	Symbol	Current Price	Current OI	Price Change	OI Differential
6/3/2020	JNJ 100 18 JUN 21 130 PUT	1,069	373	\$7.85	-0.29	24.84%	39.37%	\$876,580	JNJ210618P130	\$11.50	1084	46.50%	-24.83%
5/29/2020	JNJ 100 19 JUN 20 147 CALL	1,043	434	\$4.15	0.586	22.34%	56.30%	\$432,845	JNJ200619C147	\$0.70	2178	-83.13%	47.46%
5/29/2020	JNJ 100 (Weeklys) 2 JUL 20 145 PUT	1,308	2	\$2.22	-0.348	20.79%	37.29%	\$290,376	JNJ200702P145	\$3.75	1011	68.92%	-22.82%
5/29/2020	JNJ 100 (Weeklys) 2 JUL 20 140 PUT	1,291	13	\$1.20	-0.207	24.12%	22.96%	\$154,920	JNJ200702P140	\$1.85	986	54.17%	-24.39%
5/26/2020	JNJ 100 17 JUL 20 145 CALL	2,556	1,826	\$5.88	0.53	25.29%	49.35%	\$1,508,040	JNJ200717C145	\$3.90	6,051	-33.67%	38.09%
5/26/2020	JNJ 100 21 JAN 22 145 PUT	500	126	\$19.00	-0.48	23.21%	62.33%	\$1,092,500	JNJ220121P145	\$20.50	1,390	7.89%	122.04%
5/26/2020	JNJ 100 17 JUL 20 150 CALL	3,519	3,122	\$2.79	0.34	23.64%	30.85%	\$1,020,510	JNJ200717C150	\$2.13	8,300	-23.66%	24.98%
5/21/2020	JNJ 100 18 DEC 20 155 CALL	1,631	767	\$6.25	0.37	23.13%	30.94%	\$1,003,065	JNJ201218C155	\$5.10	2,412	-18.40%	.58%
4/30/2020	JNJ 100 21 JAN 22 150 PUT	702	81	\$21.93	-0.49	21.94%	62.95%	\$1,551,420	JNJ220121P150	\$26.13	838	19.15%	7.02%
4/30/2020	JNJ 100 21 JAN 22 150 CALL	710	526	\$15.00	0.49	22.95%	37.10%	\$1,065,000	JNJ220121C150	\$11.50	1,449	-23.33%	17.23%
4/17/2020	JNJ 100 17 JUL 20 155 CALL	6,930	1,360	\$6.68	0.45	26.72%	39.68%	\$4,643,100	JNJ200717C155	\$1.03	13,045	-84.58%	57.36%
2/12/2020	JNJ 100 21 JAN 22 200 CALL	1,500	597	\$1.18	0.09	14.99%	6.17%	\$213,000	JNJ220121C200	\$1.62	6,575	37.29%	213.54%
2/12/2020	JNJ 100 21 JAN 22 210 CALL	1,502	501	\$0.50	0.04	13.83%	2.83%	\$118,658	JNJ220121C210	\$1.10	5,550	120.00%	177.08%
1/31/2020	JNJ 100 19 JUN 20 140 PUT	1,508	1,454	\$3.48	-0.293	19.35%	33.83%	\$524,784	JNJ200619P140	\$0.53	6,469	-84.77%	118.40%
1/16/2020	JNJ 100 18 DEC 20 150 CALL	1,219	247	\$7.90	0.47	16.16%	41.34%	\$987,390	JNJ201218C150	\$7.05	2,189	-10.76%	49.32%

Potential Catalysts: Earnings 7/16/2020; BAML Conference 6-23-2020

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.