



Inside Today's Blitz

- Markets Rise Ahead of December Payrolls
- Trump Acknowledges Biden Win, Positioning for Peaceful Transfer of Power
- **BA** to pay \$2.5B fine to DOJ over 737 fraud; **SRPT** gene therapy study fails; **FFIV** to buy Volterra; **ST, STM** raising guidance in Q4; **Samsung** guidance misses Street est.

Market Outlook

Futures indicating a strong open again today with the **Dow** up 24 bps, the **S&P** up 29 bps, and the **Nasdaq** up 42 bps. The **Russell** is up 35 bps. Energy is rallying with **WTI** up 1.32%, **Brent** up 1.56% and **gasoline** up 1.7%. **Natural gas** is down 3%. **Gold** and **silver** both under pressure today with the latter down 1.8%. **Grains** are strong again. The **dollar** is up 8 bps. **Bonds** are down slightly. The **VIX** is 23.15. It has been a quiet morning for news, especially in the wake of the last week, as global markets continue to march higher. The focus today is on non-farm payrolls in a little while with economists expecting a sharp slowdown in December. Bloomberg predicts a negative print while there is little expectation for momentum until vaccines become widely available. Elsewhere, Trump acknowledged publicly that the Biden administration would be taking office on January 20, a big departure in tone from his recent statements. There's some talk of invoking the 25th amendment among Democrats but given the time squeeze, likely not going to happen. Biden is laying out a little more detail on his first 100 days plan with a focus on economic revitalization. Pfizer and BioNTech said their COVID vaccine was effective against the new strains in the UK.

Asian markets were mostly higher today as the prospect of more stimulus under Biden improves. Shanghai was down 17 bps, Hong Kong was up 1.2%, and the Nikkei hit a three-decade high up 2.35%. **Bridgestone** jumped 6% as the tire-maker reached a deal to sell its Firestone Building unit. European markets are higher as well with the DAX up 60 bps, the CAC up 20 bps, and the FTSE marginally lower. Homebuilder **Barratt** is up 3% after raising their outlook and reinstating a dividend. **Marks and Spencer** is down 1.5% after mixed Holiday results. Foams and composites maker **Essentra** rose 5% after upgrading their FY outlook. Food services and facilities management company **Sodexo** rose 7% after a positive update on trends. **ST Micro** rose 4% after they said Q4 revenues are tracking ahead of guidance. **Infineon, ASM International** both higher after Micron results. **Credit Suisse** is down 3% after guiding to a loss in Q4 on higher provisions.

Calendar

Today... Non-Farm Payrolls, Unemployment Rate; **International Data:** Eurozone Unemployment, UK Housing Prices, German Industrial Production

Next Week... main focus turns back to earnings season with the banks kicking things off on Friday (Citi, JPM, WFC). Conferences of note as well include ICR for retail, CES for tech, and JPM for healthcare Elsewhere, Powell will be on a webinar on Thursday at Princeton, China has Dec. import/export data on Thursday. Other earnings of note to watch include ACI, KBH, INFY, BLK.

Overnight Markets

Lumber	717.8	2.06%
Oil (WTI)	51.55	1.42%
Copper	3.699	0.08%
US Dollar	89.86	0.07%
Bonds	169.03	-0.11%
Gold	1893.3	-1.06%
Silver	26.78	-1.80%
Natural Gas	2.646	-3.04%

Technical View



Key Levels to Watch

A positive, if quiet, night for futures overnight with the S&P continuing to grind higher. We took a little momentum from the day session and hit a high around the EU open up at 3817.75 and now paring gains a bit. The low is down around 3795 and 3787 a key level from Thursday's session to watch.

Economic Data

- **Taiwan** exports 12% in Dec. vs 10% est.; imports 0.9% vs 4.3% est.
- **German** exports 2.2% in Nov. vs 1% est.; imports 4.7% vs 0.4% est.
- **German** industrial production was 0.9% in Nov. vs 0.8% est.

Macro News

- **China** is continuing to boost their oversight of the internet industry, says Reuters. The country's top watchdog is proposing new rules that would limit what companies could disclose
- **The FCC** won't move forward with a section 230 liability shield repeal, defying Trump's request, per Bloomberg
- **Biden** is working on a proposal for further stimulus and another round of checks as well as expanded unemployment benefits, says NYT
- **Democrats** will likely move forward with a proposal to reinstate the SALT deduction, says Bloomberg
- **The Fed** sees rising bond yields, inflation expectations as a possible win, per Reuters
- **US** mortgage originations could hit \$3T or more in 2021, says FT

Movers

Gainers: MRUS 30%, CATM 12%

**Losers: SRPT -50%, SLDB -24.5%,
VLDR -7%, UBER -5%, RCKT -4%**

Insider Buying

PRGO, BRK.B, GEF

IPO Monitor

There are no upcoming IPOs currently available for this week.

Stock-Specific News

Consumer

- **Draft Kings (DKNG)** announces deal with Drone Racing League, first aerial sporting event upon which fans can wager
- **Bustle Digital** is looking to go public via SPAC, says Reuters. The media platform with magazines like W and Bustle is aiming for a \$600M valuation
- **Marks & Spencer** holiday update showed strong food sales but soft clothing/home revenue, says Reuters
- **TGI Fridays** says traffic has jumped in recent weeks as stimulus checks are mailed out, per Bloomberg. Daily sales are up roughly 20% vs the two weeks prior
- **AMC** getting closer to avoiding bankruptcy until Summer, says NYP
- **Rentokil** raises FY outlook, per FT

Financials

- **Credit Suisse (CS)** set to report a loss in Q4 due to higher provisions related to the MBIA RMBS case
- **Bakkt** is in talks to go public via SPAC with **VIH**, says Bloomberg. The company is a cryptocurrency platform majority owned by **ICE**

Healthcare

- **Sarepta (SRPT)** says gene therapy SRP-9001 failed to show statistical significance vs NSAA score
- **PFE, BNTX** says their vaccine is effective against the new strain in the UK and South Africa
- **NVAX** finalizes deal with Australia to deliver 51 mln doses of Novavax' COVID-19 vaccine
- **MRNA** vaccine cleared by UK

Sympathy Movers

SLDB is likely down tomorrow in sympathy with the move while **PFE** should move higher as they gain the lead position in the space

Industrials

- The DOJ has charged **Boeing (BA)** with fraud conspiracy over 737 MAX crashes, CNBC says. The company has agreed to a \$2.5B fine
- **VLDR** sees Q4 well below the Street, \$15.5M to \$16M vs \$29.55M; Co. withdraws FY21 guidance
- Homebuilder **Barratt Developments** raised their volume outlook for FY21, per Reuters
- **Blackstone, Bill Gates's Cascade** team up for \$4.3B bid for private flight company **Signature Aviation**, says Bloomberg
- Some major **auto manufacturers** may have to cut back on production as semiconductor shortage worsens, says FT

Energy/Materials

- **PLUG** CEO was on Mad Money last night and highlighted Korea as a big area of opportunity for them, “Korea is targeting the hydrogen market at \$40B by 2040”
- **OEC** pre-announces a strong Q4 as “ customers restocked their inventories, to some degree during the quarter, to better manage their supply chains”
- **Orbia** is nearing a deal to sell their vinyl unit to Apollo for \$2B, says Bloomberg. The unit also received interest from **WLK**

Tech/Telecom

- **F5 Networks (FFIV)** to acquire **Volterra** for \$500M, creating an edge platform for enterprises and service providers that will be security-first
- **Apple (AAPL)** EV ambitions are at least 5 years away, says Bloomberg. Company has small team working on a car but still early stages
- **AAPL** to partner with **Hyundai Motor**, says Bloomberg
- **SCOR** announces strategic investment by **CHTR, QRTEA, Cerberus**
- **IBM'S** RedHat to acquire StackRox
- **UBER** announces 38M block trade offering at \$53.90 to \$56.13
- **Achronix Semi** will merge with **ACEV** in a \$2.1B SPAC deal

Tech Guidance Updates

- **FFIV** sees Q1 at the top-end of guidance, \$2.26 to \$2.38 vs \$2.34
- **ST** guides Q4 revenues \$902-\$907M vs. Street at \$836.75M
- **STM** sees Q4 above October guidance at \$3.24B vs \$3.02B as demand for personal electronics and automotive products has significantly improved their overall outlook
- **Samsung** sees Q4 operating profit and revenues below Street estimates
- **TSM** says Q4 revenues were a bit below Street at \$361.5BNT vs \$364BNT
- **UMC** reports December revs increased 14.4% yr/yr to NT\$15.3B
- **SIRI** sees FY20 subs a bit better than expectations while guiding FY21 in line; sees revs at \$8.35B vs \$8.32B est.
- **ADVA Optical Networking** sees Q4 revenues at the low-end of guidance while margins up 340 bps beat expectations

On the Chart

UBER is trading down to \$53/\$54 this morning but right around the 8-EMA and nice bounce spot with the recent bull flow

Hawk Database

STM buyers recently in the February \$40 calls and July \$40 calls, and clearing the \$42 level could see further momentum as it continues to bounce back

Analyst Notes

Upgrades

- **TSLA** upgraded to Neutral at Evercore, Acknowledging the firm has " been on the considerably wrong side of TSLA for over a year now," McNally said the new rating more accurately reflect "how we typically discuss the stock." He previously struggled in analysis of Tesla since he viewed it as a "growth + premium Auto" company, but he believes tech/retail investors see Tesla as two separate Tech companies - one company that is the market leader in electric vehicles and also an "optionality/amalgamation of multiple adjacent call options" on everything from full self-driving to storage to battery and powertrain tech
- **CB** raised to Conviction Buy at Goldman, The company's broad platform and "strong" balance sheet position it well to capitalize on continued rate momentum while conservative reserving limits risk of prior-year deficiencies compared to peers
- **HUN** upgraded to Outperform at RBC, the MDI market could see a robust recovery in 2021 as manufacturing activities pick up and buyers look to restock after a period of destocking
- **TMO** raised to Outperform at CSFB, The company's "impressive performance" and resulting "robust" cash flow generation has enabled it to incrementally invest across its platform, enhancing its competitive positioning
- **CC** raised to Outperform at RBC, turning more optimistic on the favorable TiO2 supply- demand conditions going into the early innings of the TiO2 recovery and believes Chemours will likely grow volumes through its stable TVS contract structure
- **CVS** raised to Buy at Jefferies
- **THC** raised to Buy at Jefferies
- **X** raised to Buy from Sell at Deutsche Bank
- **PING** raised to Buy at Goldman
- **REGN** raised to Buy at Citi
- **NWL** raised to Buy at BAML
- **DRI** raised to Outperform at RBC
- **WU** raised to Buy at Guggenheim
- **CVX** raised to Overweight at Piper
- **PFG** raised to Outperform at Evercore
- **DHI** raised to Outperform at RBC
- **LSI, CTRE, NSA** raised to Outperform at BMO; **CUBE, SBRA** to Neutral
- **RF** upgraded to Outperform at KBW

Hawk Database

CVS been seeing a lot of bull flow including Feb. 26th (W) call spreads on 1/7, size accumulation in May \$75 calls, and Jan. 2023 ITM calls.

Hawk Database

REGN recent opening sale August \$465 puts for \$1.3M and seen some small bull flow, name that looks to be basing after relative underperformance.

Hawk Database

DHI trying to bottom after some weakness in Housing and has 10,000 May \$75 calls bought sitting in OI and 3400 Feb. \$70 calls.

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- **GT** raised to Overweight at KeyBanc
- **BRO** raised to Buy at Goldman
- **JBLU** raised to Buy at BAML
- **SIG** raised to Buy at Northcoast

Downgrades

- **LRCX** cut to Hold at Needham, the WFE industry is at an inflection point, where the growth driver is shifting from NAND in the last cycle to DRAM and foundry/logic in this new cycle. While the analyst has no doubt that Lam will continue to gain share in NAND, but thinks the mix headwind will mitigate these share gains and lead to relative underperformance
- **SRPT** cut to Neutral at MSCO, Ray-Jay, while it seems plausible that the study failure was driven by an imbalance in baseline level of function across treatment and placebo arms in the 6-7 year old participants, it is clear that the benefits SRP-9001 provides are quite modest and thinks the global Phase 3 will be needed for FDA approval which will be a much higher hurdle to surpass
- **SCWX** cut to Sell at Goldman, the analyst believes upside from here will be difficult with "little" revenue growth expected this year. Secureworks' transition to a software model from a managed services/professional services model will require more time than initially anticipated to materialize
- **WELL, VTR** cut to Underperform at BMO
- **PGR, MMC** cut to Sell at Goldman
- **LRCX** cut to Neutral from Buy at Needham
- **XYL** cut to Underperform at Cowen
- **ENPH** cut to Underperform at Ray-Jay
- **RS, CMC** cut to Hold at Deutsche Bank
- **CME** cut to Hold from Buy at Deutsche Bank
- **HELE** cut to Neutral from Buy at BAML
- **LEA** cut to Neutral from Buy at Guggenheim
- **AVA** cut to Underperform at BAML
- **UAL** cut to Underperform at BAML

Initiations

- **ARRY** started Overweight at Piper Sandler, sees the company having an attractive growth runway given expected continued momentum in the U.S. and in markets outside of the U.S.
- **PTON** started Buy at Gordon Haskett, \$190 target
- **CSIQ** started Buy at Citi
- **MX** started Outperform at OpCo

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- **DM** started Buy at Benchmark

Other Commentary

- **CRWD** target to \$240 from \$186 at Goldman, t sees "room for upside" considering the company's revenue growing at nearly twice the rate of the company's hypergrowth security software peers
- **PANW** target to \$408 from \$310 at Goldman, sees work from home as an incremental benefit to the company and believes it is well positioned to benefit from workload migration to the cloud
- **BIDU** target to \$250 from \$185 at Mizuho, remains "positive structurally" on internet due to increased penetration in e-commerce and advertising in both the U.S. and China
- **MU** target to \$95 from \$83 at RBC; Target to \$121 form \$82 at KeyBanc
- **CMG** target to \$1600 from \$1450 at BTIG
- **TWTR** target to \$58 from \$39 at Baird
- **PINS** target to \$80 from \$68 at Baird

On the Chart

PANW moving above a small volume shelf this week at \$360 and a move above \$370/\$375 has room to \$400 over the next month or two

Trade Ideas

Inspire Medical (INSP) shares flagging nicely near new highs with a move above \$200 having a near-term measured move out to \$225. MACD is nearing a bullish cross and RSI improving as well, plenty of room for momentum in the name that has been an earnings favorite recently. The \$5.27B company is a leader in minimally invasive solutions for sleep apnea, an \$8B potential market according to BAML. Piper was positive in December noting that INSP has several years before big competition hits the US and they have best-in-class tech which will allow them to win share in the market.



Technical Scans

Ready to Run: AAXN, ABBV, ARNC, BAH, GOOGL, HON, IOVA, LII, NVDA, ODFL, TROW, TXG, TXRH, AMD, OLED, PINS, SNAP, SPOT

Bullish Reversal Days: REXR, U, RACE, SBAC, TRU

Inside Days: LIN, TSN, PLD, ICE, ABBV, DGX, MA, SBUX, DIS, HD, ROST, MDB, ZI, EXPE

Small Cap Radar

Balchem (BCPC) with a highly unusual trade on 1/7 as 1000 August \$135 calls opened for \$7.50, a name with almost no open interest. The trade comes as BCPC breaks out of a multi-year ascending triangle, a pattern that measures to \$150 upside. BCPC has also always screened as a favorite under the radar name, included in our 2020 annual report. It also trades a day after the company presented at a Sidoti Conference. BCPC is engaged in the development, manufacture and marketing of specialty performance ingredients and products for the food, nutritional, feed, pharmaceutical, medical sterilization and industrial markets. Human Nutrition & Health; Animal Nutrition & Health; Specialty Products; and Industrial Products are its segments. BCPC management noted last call it is positive on its mineral and nutrition portfolio of products and the future growth. BCPC also posted strong growth in its food ingredient business. The \$4B company trades 37.6X Earnings, 5.95X Sales and 25X FY20 EBITDA, premium valuation, but delivering consistent top and bottom line growth. Analysts have an average target of \$120 and short interest low at 1.5% of the float. HCW raised its target in August after impressive results and Stephens started coverage in July noting the resilience of the company with an expanding range of businesses around just a few attractive products.

Open Interest Checks

Ticker	Contract	OI Checks		
		Prior OI	New OI	OI Change
AMD	February \$92.50 Calls	4,156	17,504	321.17%
PDD	April \$220 Calls	1,844	4,070	120.72%
IGT	February \$18 Calls	6,114	12,358	102.13%
CLF	January 2022 \$17 Calls	1,179	2,362	100.34%
FB	February \$270 Calls	11,631	22,365	92.29%
ALXN	May \$170 Calls	2,650	4,650	75.47%
AAPL	June 2022 \$145 Calls	2,606	4,504	72.83%
JNPR	July \$25 Calls	3,004	4,637	54.36%
PINS	May \$75 Calls	1,360	1,941	42.72%
VALE	January 2022 \$20 Calls	28,288	39,586	39.94%
FSLY	March \$90 Calls	2,454	3,421	39.41%
SQ	June \$52.5 Calls	1,698	1,581	-6.89%
SPLK	January 2022 \$155 Calls	1,068	735	-31.18%
SKX	January \$35 Calls	5,971	1,105	-81.49%

What They're Saying

Constellation (STZ) on key trends in beer driving growth... "The Corona brand family grew nearly 12% in IRI channels. Led by particularly strong contributions from Corona Premier, Corona Hard Seltzer and Corona Extra, with the launch of only one, one skewed to date Corona Hard Seltzer continues to exceed our expectations and remains in a strong #4 position in the Hard Seltzer category. It also has the distinction of being the second fastest moving Hard Seltzer among major Seltzer brands while continuing to maintain strong incrementality levels at nearly 90%. Early next fiscal year, we plan to launch Corona Hard Seltzer variety pack, #2, which will

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offer consumers the same great corona taste and refreshment attributes while expanding to new flavors, including pineapple, strawberry, raspberry and passion fruit. Variety pack #2 will be followed shortly thereafter by the introduction of another exciting new Hard Seltzer initiative. Modelo Especial was the most significant growth contributor within our portfolio for the quarter. This exceptional brand has excellent marketplace momentum and achieved the #1 spot as the top share gaining imported beer in the U.S. beer category with depletion growth of almost 20%. Modelo continues to gain traction with general market consumers while sustaining momentum with its core Hispanic consumer. Driven by the authenticity of the brand and our marketing efforts. Pacifico was also a top share gainer within the import segment during the quarter, continuing its strong momentum with depletion growth of nearly 20%.”

Extras

Comcast (CMCSA) late trades opening 12,000 March \$52.5/\$42.5 bull risk reversals and selling \$60 calls, adjusting Jan. spreads

Helmerich and Payne (HP) late day buys 1500 March \$30 calls \$1 to \$1.15 offers

Cornerstone Building (CNR) buyer 1000 February \$10 calls \$1.90 as January \$7.50 calls adjust

CVS Health (CVS) late day surge into February 26th (W) calls with the \$73.50 calls bought 3000X and sales in \$77.5 and \$78 strikes

Tower Semi (TSEM) buyer 7000 February \$33 calls \$0.65 as January \$28 adjusted

Dropbox (DBX) late day action in January 22nd (W) \$24 calls with 8000X bought to open near \$0.55

Brunswick (BC) buyer 1000 February \$80/\$65 put spreads to open for 1-28 earnings, could face tough boating comps

Target (TGT) buyer 2000 Jan. 29th (W) \$200 calls \$2.15 to \$2.19 to open

TI (TXN) with 1600 January 2022 \$1875 calls opening \$11.40 in a buy-write

Blackstone Mortgage (BXMT) buyer 4500 July \$25 puts to open for \$2.20

Medtronic (MDT) size afternoon buys of 3000 March \$120 calls \$4.30 to \$4.90

Assured Guaranty (AGO) with 900 April \$34 calls opening \$4.35 as January calls adjusted

LAM Research (LRCX) late day buy 200 May \$500 calls for \$58 into Micron earnings

Tesla (TSLA) large buy of 3000 June \$710 calls for \$60M, adjusted 1750 June \$495 calls, keeping same size position on

Snap (SNAP) block of 5000 January 2023 \$45 puts sold to open for \$9.80

Earnings Review

Ticker	Stock	EPS Actual	EPS Est.	Revs Actual	Revs Est.	Y/Y Change	Notes
ACCD	Accolade	-\$0.32	-\$0.35	\$38.44	\$36.20	29.70%	
DCT	Duck Creek Technology	\$0.02	-\$0.01	\$58.90	\$55.80	26.40%	FY Above
MU	Micron	\$0.78	\$0.69	\$5,773.00	\$5,662.03	12.20%	Q2 Above
PSMT	PriceSmart	\$0.90	\$0.67	\$877.43	\$837.37	8.10%	
WDFC	WD-40	\$1.72	\$1.03	\$124.56	\$106.80	26.40%	FY Above

MU – Beat on EPS and Revs, Sees Q2 Above - We are excited about the strengthening DRAM industry fundamentals. For the first time in our history, Micron is simultaneously leading on DRAM and NAND technologies, and we are in an excellent position to benefit from accelerating digital transformation of the global economy fueled by AI, 5G, cloud, and the intelligent edge.

DCT – Beat on EPS and Revs, Q2 In Line and FY Above – “Duck Creek’s strong business momentum continued into fiscal year 2021, with first quarter financial and operational results that were highlighted by 59% subscription revenue growth,” said Michael Jackowski, Duck Creek’s Chief Executive Officer. “We signed 4 new Duck Creek OnDemand deals, including a Tier 1 customer, and a number of add-on transactions during the quarter, further solidifying our position as the clear SaaS leader for the P&C industry.” P&C carriers are increasingly recognizing the benefits of SaaS-based core systems as they look to deliver on their digital transformation programs to improve their operational outcomes and customer experiences. We believe Duck Creek is in a great position to be a primary beneficiary of the P&C industry’s move to the cloud, which we expect will enable us to continue delivering strong revenue growth and margin expansion over the long-term.

Disclosures

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